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**EUROPE'S BUSINESS NEWSPAPER** 

No. 29,624

Wednesday May 15 1985

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# crisis talks share

Werld news

It was the first assault by the rebels on a predominantly Sinhalese area. Five Buddhist nuns, 25 other women and six children were among those who died when guerrillas disguised as soldiers sprayed gunfire into crowded streets.

There was speculation that the attack might have been in retaliation for the alleged killing of many Tamil civilians by the security for-

#### Kyprianou under fire

Greek Cypriot opposition politicians are stepping up their cam-paign to force President Spiros Kyprismon to resign, blaming him for continuing deadlock in the Cyprus

#### China stops warship

THE TAX OF THE PARTY OF THE PAR A visit to Shanghai by a U.S. warship has been postponed because of controversy over whether it would he nuclear-armed or powered. U.S. officials denied the visit had been

#### Walesa death threat

Solidarity leader:Lech Walesa said he took seriously a threat to his life disclosed by a convicted murderer who claimed he was recruited to kill him.

#### Israéli elections

Israel's Labour Party emerged considerably strengthened from elec-tions for the Histadrut trade union federation, which may encourage the party to dissolve the national unity Government and hold general: The FT Undinary index drooped 4.6 elections. Page 4

Lagos from the Nigerian-Benin border inter riot police opened fire on aliens attempting to flee into Benin.

#### Botswana blast

Gaborone, capital of Botswana, was rocked by a huge blast, believed to be a bomb, that killed a South African political refugee.

#### Libva connection

British businessman Godfrey Shiner was charged in a London court with helping n relative of Libyan leader Col Muammer Gadaffi flee the UK to evade a drugs trial. Shiner was arrested on arrival from Egypt which deported him for alleg-edly plotting to kill one of Gadaffi's most prominent opponents.

#### Pacific bombs

Four hombs exploded in New Caledonia and police said more security squads might he called in to que rising violence in France's troubled Pacific territory.

#### Sikh dies in custody

A key suspect in the Sikh extremist bombing offensive died in police custody in New Delhi, leading to charges in the Indian press that he

#### Giscard wins ban

was tortured.

A Paris court ruled that passages concerning former French President Valery Giscard d'Estaing's private life in memoirs by deposed Central African emperor Jean-Bed-el Bokassa should he deleted.

#### Philadelphia fire

Three bullet-riddled bodies were recovered after police in Philadelphia bombed the beadquarters of an armed black cult, causing a fire that destroyed 60 houses, left 240 people homeless and caused \$5m worth of

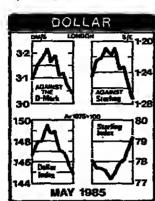
## Business summary

## Sri Lanka Stockholm as Tamils prices fall again **kill 86**

Sri Lanka's Cabinet held an emergency meeting on the crisis arising from the death of at least 86 civilians when Tamil guerrillas took their separatist campaign into the city of Amirdahapura.

STOCKHOLM share prices continued to fall as Swedish financial markets tried to come to terms with the dramatic tightening of monetary policy. The J&P index closed at 1,408.94, down 15.81. Page 3 and 31

WALL STREET: The Down Jones industrial average closed down 4.20 at 1,273.30. Section III



DOLLAR closed lower in London falling to DM 3.0425 (DM 3.0725) SwFr 2.565 (SwFr 2.5825), FFr 9.3 (FFr 9.37) and Y249.55 (Y251.3). On Bank of England figures the dol-lar's index fell to 144.9 from 145.9.

STERLING benefited from the dol lar's weakness in London, rising 1.95 cents to \$1.2735. It was also higher at DM 3.8775 (DM 3.8525) SwFr 3.265 (SwFr 3.24), FFr 11.835 (FFr 11.74) and Y318.0 (Y315.0). The pound's exchange rate index rose to 79.2 from 78.6, Page 41

GOLD rose \$4,75 on the London bul-lion market to finish at \$327.00. It was also higher in Zurich at \$327.25. In New York the Comex June settle

to 1,012.3. Section III

TOKYO: Profit-taking eroded initial Nigerian security forces escorted ket average shed 37.33 to 12,504.20.

Several thousand illegal aliens to Section III. FRENCH monetary anthorities an

nounced the reform of the mortgage market, which will involve set-ting up a oew financial agency to issue long-term bonds to finance mortgages. Page 3

U.S. RETAIL sales in April rose 0.9 per cent over the level of the previous month, the Department of Commerce said.

PHILIPS, Dutch electronics group, is to end the manufacture of wash-

ing machines and dryers in Britain.

BRITISH TELECOM, which is acquiring Mitel of Canada, has been told by the Ottawa Government it must comply with conditions imposed on the telecommunications equipment maker as part of government assistance programmes. Page

**AEG-TELEFUNKEN, West German** electrical group, expects operating profits this year to exceed the DM 100m (\$32.6m) of 1984 and also foresees a marked cut in financial liahilities. Page 23

MORGAN STANLEY, U.S. bank, said a consortium bid for Conrail, the government-owned railway. would save the Administration \$600m in tax compared with a bid at the same price from Norfolk Southern, another rail group. Page 23

WARNER Communications and American Express plan to sell their loss-making joint cable TV venture and say several potential buyers have been identified.

MAKINO Milling. Machine, Japanese machine tool manufacturer lifted pre-tax profits 21.9 per cent to Y8.97bn (\$27.7m), helped by the U.S. economic recovery. Page 25

UNIT TRUST: The first stage in an expansion of FT coverage of offshore and money funds appears in stages will be included tomorrow and on Friday.

# Paris may harden line over joint European fighter

BY DAVID MARSH IN PARIS

THE FRENCH Government is coming under increasing pressure from its aerospace industry to harden its line with Britain over development of the joint European fighter air-

Divergencies among the five na-tions discussing the project have heightened the possibility that France could decide to build its own fighter. A crucial meeting of defence ministers from France. Britain, West Germany, Spain and Italy is due to discuss the problem in Rome tomorrow.

The French Defence Ministry has been a strong supporter of the project, which would represent one of Europe's most important efforts to join forces in defence and high technology.

Government officials in Paris last

night said they boped the Rome meeting would give fresh "political impulse" to discussions which have shown signs of stalling in recent months.

They envisaged, however, that France's suggestion that the Eurofighter's weight should be 9.5 tonnes represented a maximum, towards a heavier aircraft still rep- rose to an estimated FFr 70m on the project.

resented a point of "divergence." Furthermore, officials now say that the prototype fighter Rafale – just unveiled by state-controlled Dassault-Breguet - should be a "reference basis" for the EFA.

French industrialists in recent weeks have hardened public pronouncements over the fighter partly to keep open options for export markets and also to avoid sharing technology in key areas with European partners.

M Jacques Benichou, chairman of the state-owned engine maker Snecma, last night launched a renewed call for n dominant role in making the EFA's engine. France is pushing to use the company's M-88 engine, while Britain favours a derivative of the Rolls-Royce-led RB-199 developed for the three-nation

M Benichou, who said he had already had talks with Rolls-Royce over the project, said he was not against co-operating with the Brit-ish company provided Snecma had leadership and did not lose its capacity to design new engines.

Tornado aircraft.

(\$7.52m) from rough break-even last year on turnover of FFr 12.6hn. Similar calls bave been made in recent days by leaders of the French avionics and defence electronics industries, whose products can represent up to 50 per cent of the cost of a new fighter.

Dassault Breguet, manufacturer of France's Mirage jets, is also sticking uncompromisingly to its insistence on design leadership for the EFA. Significantly, M Benno-Claude Vallieres its doughty 74year-old chairman, who has put for ward this view strongly in recent months, was yesterday given a new mandate to stay until October 1986.

A key factor arguing against a go-it-alone solution is the FFr 35hn cost of building a French jet force from its own resources. Government officals believe collaboration could cut unit costs by, perhaps, 20

However, backing the industri-alist's view that France has a lead in key technological areas of the fighter, officials said last night that tonnes represented a "maximum,"

He was speaking at a press conductor of Rafale needed to be for military reasons and to frence giving Snecma's financial recontinued as an insurance against sults for 1984. Consolidated profits lack of overall European agreement

## BASF world ink leader after \$1bn U.S. deal

only three years ago it acquired an-

BY TERRY DODSWORTH IN NEW YORK

chemicals group, is to expand its ac-tivities in the U.S. by more than 40 per cent with the acquisition of United Technologies Inmont group of industrial companies for 51bn.

nounced yesterday, will give the West German company a number of businesses mainly concentrated in motor vehicle coatings and ink pro-duction. On a worldwide basis it will make BASF the largest global supplier of printing ink, while in the U.S. it will take over United Technologies' (UT) dominant posi-

UT refused to say yesterday bow The definitive cash deal, anmuch inmont earned last year, but it confirmed that the divisioo's sales were \$1hn. That compared

with BASF's revenues in the U.S. last year of \$2.4bo, about 17 per cent of its consolidated turnover of \$14.2bn (DM 40.4bn). BASF's other activities in the U.S. include synthetic fibres and

BASF, the large West German has a leading role in Europe it expects to receive in the third chemicals group, is to expand its actinough its Chasurit division, and quarter of this year.

Although the price UT is receivother U.S. concern, Cook industrial ing for Immont appears to be gen-Coatings, in the same field. erous, given UT's average net return on sales of \$3.7 per ceot in the last few years, there has been considerable uncertainty about the future of the group recently because of the anticipated retirement of its controversial chairman Gray.

Immediately after the joint statement from the two companies, UT's share price fell \$% to \$39%.

Inmont formed the largest sector by the agreement will also consolidate BASI's international position.

The West German group already

products and flavours and fragrances.

Wall Street reacted cautiously to the announcement yesterday in the absence of any indication of where UT chose to spend the cash which the company of UT's industrial division, the fourth largest grouping of companies within the company, which claims that "high technology is the common denominator of all we do."

Continued on Position.

## Egypt sees chance of progress in talks with Israel

By Tony Walker in Cairo

EGYPT'S Foreign Minister is pre-dicting a possible "major breakthrough" in talks beginning in Cairo today between Egyptian and Israeli officials on a territorial dispute in the Sinai that has helped sour rela-

Dr Esmat Abdel Meguid, in an inerview with the Financial Times, said that if progress was made in resolving differences over Taba, a tiny beach resort on the Gulf of Agaba, the way would be open for a summit meeting between Egypt's President Hosni Mubarak and Mr Shimon Peres, Israel's Premier.

Egypt wants the Taba dispute referred to arbitration by a third par-ty, preferably the U.S. Dr Meguid revealed that a senior U.S. State Department official would be taking part in "tripartite" discussions on the Taba issue.

He said progress on settling the question of Taba, the most contentious parcel of disputed land left unresolved after Israel's withdrawal from Sinai in April 1982, would be a major breakthrough in relations. It would open the road for the summit between the President and Mr Peres."

Egypt has chosen the Mena House Hotel near the pyramids for its most significant contact with Israel since before the Israeli invasioo of Lebanon in June, 1982. It was at the Mena House in late 1977 that the first tripartite discussions were held following President Sadat's historic visit to Jerusalem.

If there is progress toward resolving differences over Taba one of three sticking points, according to Egypt, in the way of better relations – it is likely that the Egyptian ambassador to Tel Aviv will be re-turned in what Israeli officials are describing as a "package deal." Egypt's ambassador to Israel was withdrawn in protest at the Lebanon invasion.

Other issues contributing to the "cold peace" between the two countries have been Israel's occupation of South Lebanoo and its policies in the West Bank. Dr Meguid, in an unexpectedly

warm reference to recent develop-ments in Israel, said the Israelis were "making efforts" in Lebanon and were trying to improve the quality of life in the West Bank. Western officials io Cairo say that one of the conditions of U.S. as-

sistance in reviving the stalled Middle East peace process is for Egypt to normalise its relations with Is-Continued on Page 22

Israeli Labour Party buoyed,

Page 4

## Gromyko and Shultz extend Vienna talks

MR GEORGE SHULTZ, U.S. Secretary of State, and Mr Andrei Gromyko, his Soviet opposite number, unexpectedly prolonged their talks in Vienna last night on arms control and other East-West problems.

> The two ministers were meeting on the eve of the 30th anniversary celebrations of the Austrian state treaty, which marked the withdrawal of the second world war occupying powers - the U.S., Soviet Union, Britain and France, and guaranteed Austrian independence and neutral-

BY ROBERT MAUTHNER, DIPLOMATIC

CORRESPONDENT, IN VIENNA

At the end of n meeting in the So-viet Embassy which lasted for more than six bours, Mr Shultz said: "Our discussions were useful and they were comprehensive and they were detailed. They ranged over the is-sues that we normally discuss. We spent a heavy proportion of our time oo the subject of arms control and in particular the Geneva nego-

tiation. shortly after 5pm local time, before attending a buffet supper for the 11 visiting foreign ministers, hosted by Mr Fred Sinowatz, the Austrian

One of the most important issues

in a letter from Presideot Reagan to Mr Gorbachev last March, on the occasion of the funeral of Mr Konstantin Chernenko, the late Soviet Moscow, however, has studiously eclined to respond clearly to the U.S. suggestion, although it has expressed interest in the idea in very

Reagan and Mr Mikhail Gorbachev

meeting can be arranged in Sep-tember, when Mr Gorbachev is ex-

pected to be in New York for the

eral Assembly.

ession of the United Nations Gen-

The U.S. proposal was first made

The Americans hope that this

general terms. The sharp words addressed to each other's country by Mr Reagan and Mr Gorbachev during the recent 40th anniversary celebration of the Allied victory in Europe have hardly been condu to a quick agreement on a date for the summit meeting.

The other important item on the The original intention was that agenda of yesterday's meeting was Mr Shultz would make a statement the nuclear arms control talks in the nuclear arms control talks in Geneva which are due to be resumed at the end of this month.

Mr Shultz and Mr Gromyko were understood to be trying to find ways and means of breaking the deadlock in the discussions, caused by which Mr Shultz and Mr Gromyko. fundamental disagreements be were understood to be discussing tween the two sides on how to han-was the U.S. proposal for a summit dle both offensive and defensive meeting between President Ronald weapons.

## Five EEC countries ease frontier curbs

BY PAUL CHEESERIGHT IN BRUSSELS

agreed significant steps to ease the tier.
movement of people and the traffic Th of goods across their common land frontiers.

• Cars and their passengers to crossing horders. The measures be-cross borders freely if a special, ing taken are in line with those prosticker is displayed noting that the posed last January by the European occupants are complying with nor-

• The regrouping of customs posts speed than others.

FRANCE, Germany, Belgium, the into one building where oow they Netherlands and Luxembourg have are situated on both sides of a fron-

accompanied by longer-term decisions to step up police co-operation Ministers of the five countries - for example against drugs traffic.

The agreement preempts an atwere yesterday evening putting the finishing touches to an agreement tempt at a wider EEC level to ease

mal customs and immigration legis- The decision of the five nations to go ahead on their own is an exam-● The abolition of controls on ple of what is becoming known as goods traffic, so that trucks can also "the Europe of variable geometry" - move freely it they display a sticker in which some EEC members are similar to that for cars, subject only prepared to move towards integration in certain areas at a faster

## Maryland asks for federal aid

BY PAUL TAYLOR IN NEW YORK

Board (FHLBB) as problems among the state's privately insured savings banks showed signs of spreading. Mr Edwin Gray, director of the FHLBB, confirmed in congression-al testimony yesterday that Gov Harry Hughes called him early yesterday to ask for assistance. Gov Hughes specifically asked the fed-eral regulatory agency to help to evaluate Maryland's 102 privately insured savings banks to determine whether they are eligible for feder-al deposit insurance coverage.

Mr Gray added that "about half n dozen." privately insured Maryland savings banks had already applied for federal insurance coverage under the Federal Savings and Loan Insurance Corporation (FSLIC).

Earlier Gov Hughes said he had asked for about 300 Federal bank examiners to come to Maryland in order to qualify for federal insurthe problems were isolated and today's issue. The second and third | urged local depositors to remain

MARYLAND'S Governor yesterday sent n recognition that it may be "immediate contingency plans" for formally requested assistance from occessary to acquire federal insur- a special session of the state's genthe Federal Home Loan Bank ance in order to restore public con- eral assembly to address the probfidence in the beleaguered privately insured savings banks. Similar steps proved necessary in Ohio earlier this year in order to contain that state's privately insured savings bank crisis.

Reflecting this sentiment, Sen Jake Garn, chairman of the bank-ing committee, noted yesterday, "it appears to me that state insurance funds are on the way out." Among other developments in Maryland:

· A second troubled savings bank, Merritt Commercial Savings and Loan was placed at its own request under the protection of a conservator - n temporary caretaker whose main job is to protect the assets of a financial institution.

The move follows the appoint-

ment of the Maryland Savings Share Insurance Corporation, the Loan, the Baltimore-based institusavings bank crisis. • State senator Howard Denis, chairman of Maryland's Task Force

lems.

In a separate development Chemical Bank, the New Yorkbased banking group that has agreed to acquire the failed Home State Savings Bank of Cincinnati warned that it could pull out of the rescue deal unless state legislators increase the level of state financing available to belp to fund the acquisi tion and change other aspects of a planned local banking bill.

Ohio's legislature has tentatively approved legislation which would provide \$91m in state funds to belp Chemical acquire Home State. Chemical, however, is insisting that the state provide \$125m in "up-front funding including a contingency reserve of \$26m which would be refunded if not required.

other aspects of the draft legislaan effort to help troubled banks local private insurance fund, as contion, particularly a section which improve their financial condition in servator for Old Court Savings and would impose a two-year moratorium on any out-of-state bank acquirance. He maintained, however, that tion at the centre of the emerging ing an Ohio commercial banking li-

State legislators are due to meet this week to thrash out a final ver-The latest moves appear to repre- on Savings Institutions, called for

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## Polish politburo's security service chief resigns

Party's central committee has accepted the resignation of Mr Miroslaw Milewski, a politburo member and the committee's

He has served in the Interior Ministry all his working life and held a senior party post last October at the time of the mur-der by four security men of Father Jerzy Popieluszko, the pro-Solidarity priest.

His resignation came as the Government confirmed that e man claiming to heve been plotting to assassinate Mr Lecb Walesa, the Solidarity leader, bag been arrested in Gdansk. A trial date has also been fixed for next week for three leading Solidarity figures, and currency represeding have been rency proceedings bave been instituted against Mr Stefan Bratkowski, a leading dissenting

Mr Milewski waa widely alleged at the time of Fr Popieluszko'a murder to hava been at the head of a bard-line plot, based among diagruntled policemen, intended to cause unrest and threaten the position of General Wojciech Jarulzelski. the Communist party leader.

The claims were never substantlated, however, and they were vehemently denied by hard liners themselves who saw the rumour campaign as a sign of political in-fighting designed to strengthen the position of General Czeslaw Kiszczak, the Interior Minister, and of General Jarulzelski himself. Mr Milewski disappeared from pub-lic view a few weeks after the priest's murder and yesterday's

resignation merely registers the fact of his polltical demise.

Meanwhile Mr Jerzy Urban, the government spokesman, yesthe government spokesman, yes-terday quoted copiously from the testimony of Mr Josef Szczepanski, e 34-year-old mech-anic, who savs he has been urged by an "underground organisation" to kill Mr Walesa but refused to do so and went to the Solidarius leader with the to the Solidarity leader with the story. Mr Szczepanski was to bave carried out the deed a few days ago while on leave from prison where he is serving an 11 year term for killing a man

Mr Urban warned reporters not to take the story too seri-ously, but the detail he provided suggests a straightforward plot to assassinate the Solidarity

# Rare opportunity for Craxi as Italy votes for stability

James Buxton in Rome explains why the weekend election measured more than how the parties stand

regional elections which began pouring in on Monday night had virtue that it all too rare in taly: they were reasonably Italy: they

The opposition Communist Party lost support, by whatever yardstick one takes. The ahare of the vote won by the five ruling coalition rose—surpassing the results of the 1983 elections after which be came to

The Christian Democrats more easily, but the showed that they were once again on the way up after two greatest potential ga successive years of bad election results, and Sig Craxi's own Socialists advanced in absolute

The result is a blow for Sig Allessandro Natta, the Com-munist Party leader, who was relying on his party overtaking the Christian Democrats and so putting in a claim to power at the national level. In the event, the gap between the Com-munists and the Christian Democrats widened to almost 5 per cent, its biggest since 1980. On the other hand, the position of Sig Craxi, both as Prime Minister and party leader, bas been reinforced. Despite being head of a minority party—but one essential to the formation one essential to the normand of Government—be can now reasonably expect to remain as

THE RESULTS of the Italian Prime Minister for some time to European elections when they

Technically, the elections were for the governments of 15 of Italy's 20 regions, as well as for the councils which run the

A miscalculation by the Communist leader has allowed the Christian Democrats to breathe greatest potential gain is for the Socialist Party.

country's provinces and the more than 8,000 communes, or municipalities, into which Italy is divided. But though local factors played e part and the elections will causa many changes in city administrations, the political parties all regarded them as a test of how they atood, two years after the 1983 apparal elections

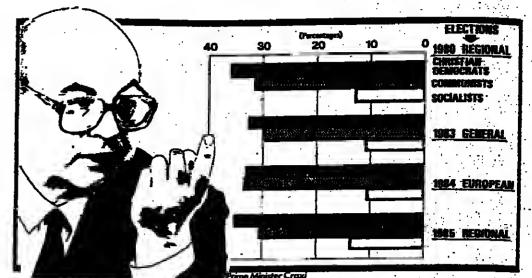
general elections.
The Christian they had at least maintained the 33 per cent they sank to in the great collapse of 1983, a level they maintained in last year's European elections. The Com-

ed the Christian Democrats for the first time, by 0.3 per

The Socialists had to advance in comparison with both the last regional and general elections if Sig Craxi's long-term aim of reversing the balance between the two major parties of the Left was to retain any validity.

In the event, it was the 67-year-old Sig Natta who failed to play his part well. He had made life as difficult as possible for Sig Craxi's Government and adopted an uncompromising anti-Government line in the election campaign. Sig Natta made the mistake of apeaking openly about what he would do if the party again achieved the sorpasso—the over-taking of the Christian Democrats the Christian Democrats.

That gava superh ammunition to the Christian Democrats, who were making a concerted effort to win back lost ground by stressing traditional Catholic virtues and drawing on the active support of the church in The Christian Democrats a way that had not been seen would bave been relieved if in Italy for years. The spectre of Sr Natta's sorpasso was exactly what was needed to chill their supporters' marrow and to get them out to vote. The voting



Monday after the poll closed, Sig Ciriaco de Mita, the Christien Democrat leader, remembering the traumatic ex-perience of the 1983 results coming in, went into hiding in the country, only returning to Rome when he heard that everything was all right. He had been prepared to resign if his party had done badly. But the Christian Democrats

pushed their share up by 2 per-centage points to 35.1 par cent, compared with the 1983 and 1984 elections. They still lost

2 per centage points below that Liberals to continue. These of 1980. The Communist total of 30.1 sults in the last three electoral tests (including the 1983 gen-eral election in those regions which voted at the weekend).

It suggests that the 34.3 per cent tha party wont in the European elections last year was an exceptional result. beavily affected by tha death a few days before of the greatly respected party leader Sig Enrico Berlinguer. The party will probably lose power in some eities as its Socialist allies abandon coali-

tion with the Communists to join the Christian Democrats. But the Communists can still claim to represent nearly e third of the electorate, and their support is still well above its level in the early 1970s. The question is whether it will fall any further.

The Socialist Party advance to 13.3 per cent was enough to satisfy Sig Craxi that the party is gradually going ahead under his leadarship, but it would have been more convincing if it bad won a percentage point or two more

Italians seem to have sig-nalled at the weekend that they want the present five-party coalition of Christian Democrats, Socialists, Republicourse of events in the co

parties' abare of the vote rose to 58.3 per cent compared with 56.2 per cent in the last general election. The vote was, as Sig Craxi said, for stability.

Britai voal S

The stability comes at a moment of great opportunity. For the last six year there have been major elections every year, forcing governments to adapt their policies to winning votes and making serious re-forms, particularly of runnway forms, particularly of runners, public expenditure, almost im-

There are now no elections scheduled until the present parliament expires in 1988, assuming it runs its full course, and whoever rules the course, and whoever rules the country for the next three years has a chance to make real changes. (Sig Crari has already been Prime Minister without interruption for 21 months, the fourth longest since the war, and has often stated his inten-tion to govern for at least three

must weather its next major challenge: the Communist-sponsored referendum on wage indexation set for June 9. Then will come the election by both bouses of parliament of the next President of the republic. Only after that will the balance of forces which will decide the

2577 774

### Yugoslavia orders price cuts in 18 industries

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN

THE YUGOSLAV Government symptom rather than the causes has decided to try to moderate of inflation and created long the country's soaring inflation rate of 60-70 per cent a year, about the highest in Europe, by ordering companies in 18 industries to cut the prices of many of their products to their many of their products to their industries are also asking:

Individual companies and

February level.

The action affects those products whose prices have risen by more than 20 per cent this year and are well above world ievels, and involves those manufactures who are considered to facturers who are considered to be making above average

A key consideration is the attitude of the International Monetary Fund which last month approved another standby credit arrangement of some \$300m for 1985-86. Only last year the IMF had Yugoslavia scrap a price freeze, on the ground that it attacked the

 Individual companies and their nationwide association, the Economic Chamber of Yugoslavia, to reconsider prices of products in a further 17 industries, which have risen more than 50 per cent but whose

manufacturers do not enjoy above average profitability.

#### Papandreou refuses TV debate with opposition BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S SOCIALIST Prime
Minister, Mr Andreas Papandreou, bas rejected a challenge by Mr Constantine Mitsotakis, leader of the Conservative New Democracy opposition, for a live television dehate on one of the most controversial episodes in recent Greek political history in the most controversial episodes in recent Greek political history in the most controversial episodes in recent Greek political history in the most in the most is believed to have most controversial episodes in recent Greek political history in which both men took part.

This was the downfall of that Centre Union government of Mr George Papandreou in 1965 in a chain of events which led to the installation of the Colonels' dictatorship two years later.

Mr Mitsotakis proposed that the television debate sbould be beld before the June 2 general election, in which the Socialists and the Conservatives are the main competitors.

Mr Papandreou, a minister in Centre Union to form a rightwing splinter government in 1965.

The move is believed to have been encouraged by the monarchy, which was abolished only after the collapse of the clashed bitterly with George Papandreou over control of the armed forces.

A dramatic ingredient of this clash were allegations that Andreas Papandreou led a secret left-wing conspiracy in the army code-named Aspida

## Bossano and Spain duck sovereignty in Rock talks

BY DAVID WHITE IN MADRID IT IS IMPOSSIBLE to talk with IT IS IMPOSSIBLE to talk with the Spaniards about Gibraltar without talking about sovereignty. This golden rule, which led to a 20-year Anglo-Spanisb confrontation over the Rock, and which the British Government had to accept before Spain agreed to lift border restrictions earliar this year, has just been disproved by Mr Joe Bossano, Gibraltar's opposition leader.

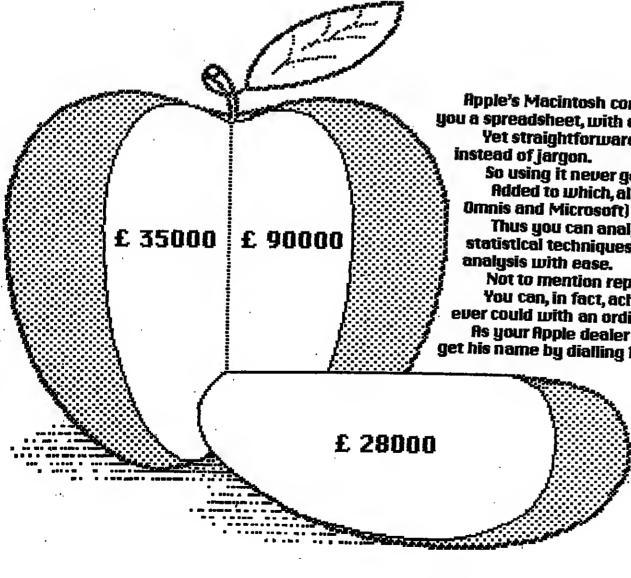
opposition leader,
Mr Bossano, Gibraltar's
opposition leader,
Mr Bossano, who atrongly
opposes any deal between
Britain and Spain which fails
to allow Gibraltarians the right
to self-determination, said the

FINANCIAL TIMES, USPS No 190640, published daily except aundeys and bolidays. U.S. subscription rates \$420.00 per senum. Second class postage paid at New York NY and st additional melling offices. POST-address changes to

issue had been kept off the agenda of his talks here. "It would frankly have been a dialogue of the deal," would frankly have been a dialogue of the deal."
Leader of the Labour Party and front-runer to succeed Sir Joshua Hassan as Chief Minister met representatives of Spain's ruling Socialist Party on Monday on his first visit to Spain since the early 1980s.
"We excluded decolorisation," Mr Bossano said before returning to Gibraltar, "and they did not include it."



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#### **EUROPEAN NEWS**

## Britain on verge of coal subsidies dispute with EEC

435,000 to 290,000.

pit is viable and which is not.

Czechoslovakia is developing its

BY PAUL CHEESERIGHT IN BRUSSELS

THE BRITISH Government is on The Commission is due this the verge of a major dispute in the month to approve proposals for the European Community over who control of subsidies to the coal inshould control subsidies paid to the dustry. These would be discussed UK's National Coal Board (NCB). by energy ministers in June.

This-became clear yesterday Mr Mosar said that aid for the inwhen Mr Nicholas Mosar, the EEC dustry would bave to continue. But

Commissioner for Energy, outlined "where capacity is not competitive, to the Energy Committee of the Eu- we must reduce it," he said ropean Parliament, the Commission's thinking on how subsidies to provide figures yesterday, his offithe coal industry should be made cials are believed to be preparing naged from January 1 1986. plans which involve an end to all Coal is exempted from the nor-subsidies by the year 2000 and a

mal competition rules of the EEC, production cutback of 15 per cent by which prohibit the use of subsidies. 1990 over the whole EEC, with the But the exemption runs out at the number of jobs reduced from

Although Mr. Moser's proposals for what happens next year were vague in the extreme, they were plans for £2.65bn (\$3.3bn) of subsidbased on the notion that supervilles to the NCB for 1986-87, but it sion of subsidies would be in the will not cover losses beyond that hands of the Commission, as is the time. case with other industries operating outside the normal competition are thus in line with those of the

But this is precisely what the Community, rather, will be about British Government wants to avoid means. Sensitive in the aftermath it is against centralised control, of- of the UK miners' strike about pit ficials noted, and it does not want closures, it will resist any attempt the right to grant subsidies subject in the Community for any other to conditions established in Brus-body than the NCB to decide which

BY LESLIE COLITT IN EAST BERLIN

many, while an East German Comecon.

"friendship" delegation toured Chi-

China and E. Europe

CHINA and Eastern Europe are SwFr 1.4bn and Polish companies busily rediscovering each other, af- are to modernise sugar refineries

ter years of separation dictated by and food-processing plants supplied the split between Moscow and in the 1950s.

Peking.

Nearly 20,000 Polish cars and
Two Chinese Government minis- 6,100 trucks are to be shipped to

ters - for telecommunications and China this year, the largest export

culture - have just visited East Ger- order ever received from outside

a. trade with China by 30 per cent to A Chinese Vice Premier responsi- SwFr 1.5hn after trade quadrupled

ble for foreign trade is to visit War- last year. Skoda and Tatra trucks

saw this month and trade between are being exported to China, along

the five small East European coun- with a truck assembly line. Peking

tries and Peking is set to recover to also needs Prague's help to modern the level of the early 1960s in a few ise plants built by Czechoslovak

years.

China's trade with Hungary this companies 30 years ago.

China's trade with Hungary this grant is to rise to SwFr. 650m its party-to-party ties with China,

to boost trade links

Le Monde will offer stake to readers

By David Housego In Paris

LE MONDE, France's leading daily newspaper, is to make a significant departure from its traditions by giving out-side shareholders a 25 per cent stake in ownership as a way of raising FFr 35m (£3m) in fresh equity funds.

The move was confirmed yesterday by M Andre Fontaine, the recently appointed editor-in-chief, as part of his efforts to put the newspaper back on a sound financioi footing. It will be voted on by the existing shareholders— who comprise the staff and the founding members of the newspaper—at the end of the

month.

M Fontaine is proposing that an appeal for fresh capital should initially be directed to readers—mony of whom have expressed an interest in subscribing.

Until new, journalists at Le Monde bave resisted moves to bring in ontside copital as potentially damaging to edi-torial independence. Under the structure proposed by M
Fontaine, the editorial staff
will see their bolding cut
from 40 per cent to 30 per
cent, a level which in low is stlil sufficient to give them a blocking minority.

The capital increase is part of extensive cost-cutting aimed at producing savings of FFr 104m in o full year-evuivaieni io 20 per cent of the net income Le Monde obtains advertisements and

The most controversial part of the pian is a new salary scale for journalists which involves cuts of 22 per ceni for some The salary adjustments are

in the context of an overall 10 per cent cut in the newspaper's salary costs. Several journalists expressed their dissatisfaction with the

new structure and on the way it was decided by M Fontaine and his senior editorial team. They have asked that a decision on it be postponed M Fontaine has none the iess secured salary cuts from the administrative staff as well as some voluntary

departures. It is also proposed that the newspaper's headquarters in the Rue des Italieus be soid to raise funds.

### Swedish strike tightens grip as shares fall BY KEYIN DONE AND DAVID BROWN IN STOCKHOLM SHARE PRICES continued to past two days as share prices short-term abroad, and that is by losses on their large bond hit the pulp, paper, lumber and fall in Stockholm yesterday as have tumbled in the face of the going at least to delay the outholdings, but that can be partly steel industries. Swedish financial markets tried central bank's decision on Mon-flow. But the election in four offset by being able to raise SAS reports losses of

to come to terms with Monday's dromatic lightening of monetary policy which has given the country virtually the highest interest rates in Europe.

At the same time, there was still no sign of any breakthrough in the civil service strike and lock-out which has halted both domestic ond internotional air traffic in Sweden and badly disrupted trade. The state rail-ways can no longer accept outward bound freight, and the SAS Scandinavian airline that Monday's measure would worned that its daily losses of have any impact on Sweden's SAS SKr 15m (£1.35m) hove forced it to prepare redundancy notices or as many as 7(% employees. Some SKr 8bn (£720m) has been wiped off the value of the Stockholm stock market in the

day to raise the discount rate by 2 percentage points to 11.5 per cent and the penalty rate then."
10 16 per cent from 13.5 per The

One trader said the market was still "shaky" yesterday as the all-share index fell by o further 1.3 percentage points following the drop of 2.1 points on Monday. The Swedish krona was still weak on the foreign exchanges as dealers remain unconvinced

underlying economic problems.
"People are still hesitant to-day," said one dealer. "The prime rate is now 17.5 per cent in Sweden, people are convinced they should borrow o little

months is bad news. The market is going to be unsettled until

The nervous f:reign exchange markets are still discussing an eventual devaluation, but such speculotion was strongly denied by the central bank.

The attention of the markets is now focussed on the next weekly report from the central bank, which will indicate what success its measures have had in halting the flow of capital out of the country.
Swedish banks welcomed the

central bank's decision to abolish interest rate controls on bank lending as an important step in the further deregulation of financial markets.

on him. Mrs Jean Gerard, the former U.S. permanent detegate,

was under strict instructions from Washington not to make

direct criticisms of Mr M'Bow although she played an impor-

tant role in the U.S. decision to

is due to last Six weeks. Mr Dodd suggested, however, that

the session should be extended

if necessary because the stakes were extremely bigh for

ficant reforms at the same time as finding a solution to its fin-

oncial problems caused by the U.S. departure. The U.S. bos deprived Unesco of 25 per cent

of its budget or the equivalent

Britain has also given notice

ft will set the stage for Unesco's general conference in Sofia in October. The ogency is under pressure from Western governments to undertake signi-

Unesco's future

With his speech, Mr Dodd bas

withdraw from the agency.

lending rates well above the increase in the discount. "That has hardly happened before in modern times," said one banker.

The banks have raised their lending rates by 3.54 percentage points to around 18 per cent, and loud protests started coming yesterday from the grass-roots of the trade union movement, who see the chances of any real wage rise this year rapidly evaporating.

Meanwhile, the Swedish national railway announced that it can no longer accept export freight because its entire fleet of 1,800 railwoy cars has been virtually jammed at the border exits awaiting customs clear-ance. The stoppage will mainly Bank profits will be badly hit

SAS reports SKr 180m (£16m) since the strike — which has involved Sweden's commercial air traffic controllers—began 13 days ago. The airline may be forced to serve redundancy notices as early as this Friday.

LIN the group's domestic airline, reports monthly losses of SKr 50m, and worns that it could be forced into receiver-ship by mid-summer if the strike is not resolved.

Mr Jan Carlzon, the managing director, said foreign con-cern over Sweden's mounting labour unrest also led to the loss by SAS last week of a major service contract for Fokker alreraft, and a potential loss of a further 500 jobs.

#### France acts to bring down

mortgage rates By Paul Betts in Paris

THE FRENCH monetary outhorliles yesterday onnounced changes in the domestic mort-gage market in an attempt to bring mortgage rotes down and stimulate octivity in the depressed building industry.

The action coincides with a

general decline in French iogeneral decime in French to terest rates, lollowing an one-eighth point decline in the Bank of France's intervention rate to 10.125 per cent and a quarter per cent drop in Credit Agricole's base lending rate.
The other main banks are expeeted to follow Agricole's lead in the next few dovs. M Pierre Beregovoy, the finance and economy minister, has been

easing in domestic rates to en-courage investment and economic activity.

Reform of the mortgage market will involve setting up o financiol agency, similar in some respects to the U.S. Fed-eral National Mortgage Asso-

orguing for a further gradual

clation to Issue long term bonds to finance mortgages. Parls officials said the mortgage market suffered from baving to rely on short term money. The new system, funded by longer term money, is expected to reduce current average mort-gage rates of 18-16.5 per cent 0.5-2 per cent. The Government hopes this

will help the private building sector recover from its ex-

## UK makes public attack on M' Bow

CRUCIAL UNESCO BOARD SESSION OPENS WITH BRITISH BROADSIDE

BRITAIN HAS become the pains to avoid personal attacks first country to criticise in pubthe controversial director general of the United Nations Education, Scientific and Cul-tural Organisation (Unesco), which is in the throes of a profound institutional and financial CTISIS.

Mr William Dodd, the UK laucnhed the debate in an epresentative on Unesco's executive board session which representative on Unesco's executive board, criticised Mr M'Bow's frequent foreign visits In a speech during the current crucial session of the board.
"I om very conscious of the lorge amount of foreign travel which he has felt it necessary to undertake," he said, "None-theless in victors of courrent theless, in view of current circumstances I wonder whether he will find it possible to spend rather more time here in Paris in future in order to co-ordinate and lead the Secretoriat (which he has rightly explained is under severe pressure) in the many difficult tasks before it." Mr M'Bow has made about 20 visits abroad between October and Mr of \$43m this year.

abroad between October and that it will withdraw of the end of March.

It is the first time that Mr by the reforms the agency makes, who has been blomed for much believe that time is running of Unesco's troubles, has been quickly out and that this sestiments of the executive board is

the shortfall in this year's budget. But Britain, Canada and even the Soviet Union oppose this move, while France yesterday suggested it would favour the director general's directly called into question at sion of the executive board is proposal. an upon board meeting. in some respects the last chance Despite an npen board meeting, in some respects the last chance
Up to now, even the countries to find a solution.

Most critical of his management of Mr M'Bow hos proposed that and leadership have been at Unesco use its reserves—which on the executive board is Despite receiving about \$8m undertaken, in voluntary contributions and undertaken, west German Netherlands.

Mr M'Bow: under pressure

normally cover additional in-

flationary costs in a given budgetary period to belp offset

about \$10m to cover its hudgetary deficit this year.

Mr M'Bow is understood to be coming nnder increasing pressure from several developing countries to adopt a more con-ciliatory approach to resoive the

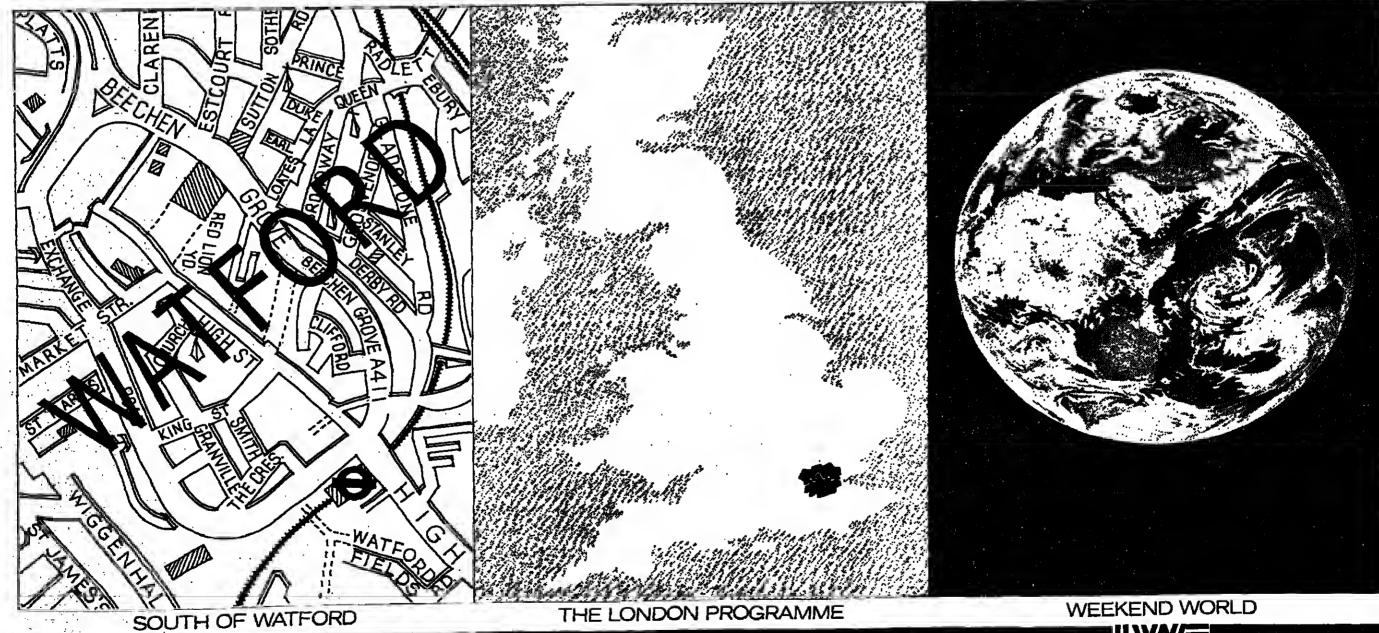
agency's dire problems.

It remains to be seen if he and the executive board as a whole will occept some limited reforms based on the U.S. General Accounting Office's recort. Among proposals in-spired by the GAO inquiry are o tightening of programmes.
The GAO report said nearly 30
per cent of Unesco's programmes. The GAO report said
nearly 30 per cent of Unesco's

programmes were duplicating other work. The British government is due to review its policy on Unesco after the general con-ference in October. Mr Dodd said Britain remained com-mitted to the UN and to multiloteral co-operation but wanted to see Unesco work "as an effective forum for inter-national intellectual co-opera-tion, particularly as on

instrument for providing help to the Third World." A number of other major countries hove worned that they wiil reconsider their position in Unesco unless reforms are undertaken. Among them are West Germany, Jopan and the

#### (\$251m) from SwFr 273m last year. still has the largest trade with Poland's trade with China is to Peking of any East European countended slump. expand 180 per cent this year to try-more than SwFr 2bn last year. nowwhere vou are wi



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ock talks

BY SAMUEL SENOREN IN MANILA AND PETER MONTAGNON IN LONDON

HOPES THAT the Philippines rescheduling, but expectations debt rescue package with commercial hank creditors on schedule next week hung in the
balance last night following the
balance last night following the
form conclusion. Government's failure publicly to endorse a rehabilitation plan

Planters Products, was adjourned until Friday to allow more time for work on the re-habilitation plan that would include a firm commitment hy the Government to provide fresh equity as well as guarantees on

subsidy payments.

Planters owes foreign hanks about \$83m (166m) and has fallen behind with interest payments to such an extent that some, including Lloyds of the UK, Societe Generale and Credit Lyonnais of France as well as Rainler Netional of the U.S., have threatened to withdraw from the rescheduling unless its problems are dealt with. Mr Cesar Virata, Prime Minister and Minister of this agreement which will allow

will be able to sign a \$10bn of a delay were spreading

Mr Jose Laurieta, a lewyer for the fertiliser company, said in Manila yesterday that the A meeting of creditors of the troubled fertiliser concern. Planters Products, was pany's claims of 335m pesos (£14.8m) in subsidies as well a capital injections of 206m pesos over the next two-and-a-half

But Philippine government sources denied that any such commitment had been made. One problem lies in squaring these extra payments with the budgetary restrictions imposed on the Philippines under its current IMF programme. Manufacturers Hanover, which has been spearheading negotia-

tions with the Philippines, declined to comment yesterday on the possibility of a delay in into hiding. signing the rescheduling.
The Philippines hadly needs Finance, said recently that the lt to eliminate debt service Planters Products issue should arrears as well as provide access not hold up the signing of the to \$3bn in vital trade finance.

Anuradhapura, 125 miles north of Colombo, was declared a sacred Buddhist

Mervyn de Silva adds: A special envoy of President Jayewardene is in New Delhi this week for talks with Prime Minister Rajiy Gandhi

Mr Jayewardene's move follows appeals made to him at the weekend by Pakistan's President Zia ul-Haq, the King of Bhutan and Mr Gandbi himself to reconsider Srl Lanka's decision to "hoycott" the Bhutan conference.

Tamil rebel gunmen kill 86 in holy city

EIGHTY-SIX civilians were killed yesterday when Tamil guerrillas took their separat-ist campaign into the sacred city of Anuradhapura and the Sri Lankan cabinet held an emergency session on the country's latest crisis, Reuter reports from Colombo.

It was the first major assault by the guerrillas, who are fighting for a separate Tamil state, into a predominantly Sinhalese area.

Five Buddhist nuns, 25 other women and six children were among those who died when a guerrilla band disguised as soldiers sprayed gunfire into crowded streets and then went on a shooting spree through the surrounding countryside.

Officials said the death toll in the shootings, the bloodiest attack of the separatist campaign, rose from the earlier figure of 78 to 86 with the discovery of eight more bodies in a national park where the rebels had gone into hiding.

The officials said President Junius Jayewardene sum-moned a crisis meeting of senior cabinet ministers to discuss the killings and three opposition parties in parliament called for an emergency meeting of the legislature to discuss the issue.

city 30 years ago and has a population of 38,000, most of them Sinhalese.

aimed at defusing Indo-Sri Lankan tensions and discuss how India could belp Sri how India could belp Sri Lauka to contain the growing Tamil separatist revolt in the island's north. The special envoy, Mr. Esmond Wickre-masinghe, will attend the South Asian Foreign Ministers meeting which opened in Thimpu, Bhutan, yesterday. Alain Cass in Ahmadabad describes the sectarian violence affecting Gujarat

## Rich Indian state gripped by bitter caste war

alive today, he could stand on the porch of his house on the Sabarmati River and watch thin plumes of smoke rising above the ancient capital of his native

state.

Gandhi's ashram stands opposite the walled city of Ahmedabad, where heavily armed troops patrol the pear-deserted streets amid the charred ruins of homes, shops and offices—the results of two months of communal violence.
It was from here that Gandhi launched some of his most spectacular campaigns against the British Raj and the scourge of caste and communal hatred. The failure of those and later campaigns to eradicate India's most intractable problem is as evident here as anywhere else

streets young army officers lead their units in hazardous sorties against mobs who suddenly appear, hurl bricks and petrol bombs and vanish. In the new city, rioters set cars ablaze or loot shops belonging to members of a caste or a community against whom they have a grievance, real or

In the past few days over 100 stabbings have taken place and mutilated bodies found in procession marches silently by, escorted by an army truck, with

In the past two months at least 90 people and perhaps as many as 300 have died in the violence throughout the state of Guiarat. The offices of the state's largest circulation daily, the campaigning Gujarat Samachar, were gutted by fire last month on a day when the mobs, sometimes led by police out of uniform, went on a seven-hour rampage after e policeman was backed to death in broad daylight.

in 1969 when as many as 2,500 peopln died in sectarian violence, but it is bad enough to have Mr Rajiv Gandhi, India's new Prime Minister, hurrying down from New Delhi to see for By the time the Indian army

was asked to take over respon-sibility for restoring law and order from a discredited police force at dawn last Sunday, everybody seemed to be fighting everybody else. Hindus were fighting Moslems.

upper castes were fighting lower castes, students were pitted against the state Government, old scores were heing settled indiscorrection. indiscriminately. The police, widely accused of taking sides lation—a charge privately sup-ported by army officers—was e defeated and demoralised force.

Gujarat INDIA

The city is thick with rumours that "foreign hands"—the usual that "foreign hands"—the usual euphemism for Pakistan—are encouraging the city's Moslems to take advantage of the chaos. The spark which Ignited the trouble has been virtually forgotten and seems irrelevant now. It began when Mr Madbaysinh Solanki, Gujarat's Chief Minister, announced shortly before the state assembly elections in March that the number of government jobs and college places automatically available to lower castes and backward minorities would be increased from 31 per cent to 49 per cent. from 31 per cent to 49 per cent. India's constitution provides for positive discrimination in favour of the country's lower castes and the Harijans, or untouchables. This provision has caused resentment among

privileges being steadily eroded. Gujarat's upper caste—the Brahmins and Patels, a once powerful landed community- vious quota of 31 per cent.

creasingly excluded from posi-tions of power.

"Our Government," says Mr Solanki from a small room in its heavily-guarded colonial headquarters "is a common man's Government. We aim to eradicate the widening gap between rich and poor."
Although Gujarat is e major

textile centre and one of India's richest states, Mr Solanki claims that 70 per cent of the state's 30m population beloogs to the so-called beloogs to thin so-called scheduled castes and tribes, whose lot he wants to improve. The opposition claims all he wants is their votes. Mr Chimanbhai Patel, leader

of the opposition BJP Party, claims Mr Solenki is indulging in "the cynical politics of backwardness. This Government

ents say, is the fact that the state's backward castes have not been able to fill the preAran

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has been overtaken by the rising Kshatriya caste, mostly small farmers and businessmen. In 1980, Mr Solanki's ruling Congress (I) Party swept to power with a buge majority with the backing of Guiarat's lower castes. The Patels and Brahmins found themselves increasingly excluded from posi-

Since the outbreak of violence in Gujarat Mr Gandhi's violence in divisitation division of the control of said he is willing to postpone a final decision, but the violence has now taken on a momentum of its own.

Mr Solanki may have over-played his hand finshed with the success by a landslide vic-tory and in the belief that Mr Gandhi would stand by him in-definitely. For the time being there is no question of the Chief Minister's resignation; he seems prepared to ride out the

If the violence continues his future may be in doubt. But whatever happens to  $M_T$ has merely fuelled the caste war," he charges.

The proof that Mr Solanki's cause of communal harmony in move to increase the quota was Salanki, the present troubles

#### S. African call for work stoppage has little effect

BY JIM JONES IN JOHANNESBURG

UNION CALLS for work stop-pages to mark the funeral of funeral. Mr Andries Raditsela had little effect in South Africa yesterday. organisations were generally employers say. Mr Raditsela, e union official who died of e hrain haemorrhage on Monday last week after being questioned hy police, was huried quietly yesterday at the black township of Tsakane near the East rand industrial town of Brakpan.
In Tsakane about 5,000 mourners attended the funeral. but avoided confrontation with

the mourners. hour work stoppage if they were was not serious.

organisations, were generally conciliatory. But while they reasons for the work stoppage expressed sympethy for the cal, they generally agreed that workers would not be paid for any time not worked. Yesterday several employers in and around Johannesburg reported that stoppages had taken place mourners attended the funeral, around noon but that as they Police and soldiers patrolled the had largely coincided with township in armoured vehicles normal mid-day lunch breaks work had not been greatly disrupted.

Last week Fosatu, the Federa- Three explosions damaged tion of South African Trade police living quarters and court Unions of which 29-year-old Mr offices in Brakpan in the early Raditsela was an official, called hours of yesterday morning, on workers to observe a two-Police reports say that damage

#### No date set for postponed U.S. N-ship visit to China

The visit of three U.S. waring ships would not carry ships had been pencilled in for nuclear weapons.

next Saturday, May 18, until e U.S. officials immediately wrangle arose over whether the denied that any explicit assur ships would carry nuclear arms, At the Chinese end, no one is willing to indicate when e new dete will be set for the visit, intended as e symbol of the improvement in the two countries'

military relations.

The dispute is over the chinese desire for essurances that visiting vessels will carry only conventional arms, the issue that prompted the falling oot between the U.S. and New Zealand earlier this year.

A "NUMBER of issues" have Prohlems arose for the to be resolved hefore U.S. warships will visit China. a have been the first U.S. port call to China since the 1949 spokesman said today, following the anouncement that a proposed visit to Shanghai had heen postponed indefinitely.

The visit of three U.S. war-ing ships would not carry

ance had been given, saying that there had been no change in the policy of refusing to confirm or deny whether visiting vessels carry nuclear arms.

It bad been hoped that the call would symbolise the budding military relationship between the two powers; e relationship which has reportedly included the U.S. agreeing to self anti-submarine and antisell anti-submarine and anti-tank weapons, and destroyer madernising equipment.

#### Singapore ends school policy

THE SINGAPORE Government resterday confirmed it would scrap e controversial education policy favouring children of gradoate mothers. The policy, introduced in January last year, contributed to the setback suf-fered by the ruling People's Action Party (PAP) in last December's election.

Speaking in parliament yesterday, Dr Tony. Tan, the Education Minister, announced new guidelines for school registration, similar to the previous ones. He called the guidelines the "fairest possible," and the change was applanded by MPs. The scheme gave graduate

mothers priority in registering their children et top primary schools. The aim was to encourschools. The aim was to encourage them to have more chilary dren, on the assumption that this would better replenish the this would better replenish the party Prime Minister, was and other measures which he cautious not to sound over been blocked in committee.

#### Labour Party buoyed by Israeli union election gains

BY DAVID LENNON IN TEL AVIY

ISRAEL'S Labour Party has optimistic after the election, but emerged considerably strengthened from a trade union election which also saw support for the right-wing Likud bloc declining by 5 per cent. This will encourage elements within the Labour Party who favour dissolving the coalition of the two parties in the National Unity Government and holding new general elections.

Monday's poll saw Labour increase its percentage of sents in the central committee of the Histadrut trade union federa tion by 5 per cent, to 66.7 per cent. The Likud share of the seats fell from 26 per cent to

in private Labour officials were clearly buoyed by the good showing of the party.

The Likud blemed its poor performance on the fact that It has agreed to play e secondary role in the National Unity Government, Likud politicians said they will adopt a more aggressive kine in Covernment so as to win back the supporters.

The country is now braced for a barrage of tough new economic measures which had been held back for the Histadrut elections. Mc Peres threatened yesterday that he would resign if the Knesset did not pass quickly e series of new taxes and other measures which have

#### **AMERICAN NEWS**

## Managua pledges to maintain U.S. debt payments

Chris Sherwell, recently in Manila, reports on changes in the Philippines which are worrying Washington

THE CURRENT tour by Sr THE CURRENT tour by Sr Daniel Ortega, Nicaraguan President, to eastern and Western Ernope is not bring-ing the hoped-for levels of economic support, although in political terms "it has been a great success," according to the Nicaraguan Vive-Presi-dent, Dr Sergie Bamirez, Sr Ortega arrived in Rome Sr Ortega arrived in Rome yesterday and will travel to Sweden today.

Dr Ramirez told the foreign

press in Managua yesterday that in economic terms the tour has made "positive advances" and obtained "good responses" to Nicaragua's

posed him to attack. A com-munist-inspired insurgency is

meanwhile spreading relent-lessly.

In Washington's eyes, a slow descent into disorder can only be reversed through funda-mental economic and political

reforms. But the question remains of how far the Reagan

Administration should go—or can go—in encouraging such changes, given the Philippines' overwhelming strategic impor-

The U.S.'a two largest military facilities outside America—Clark air base and Suble naval

base—lie in the Philippinea.

need for raw materials and preferential training agree-ments. However he added: "the results are such that our economic problems will not be resolved in one trip." be resolved in one trip."
The recent U.S. trade embargo will not be used, however, as an opportunity to renege on Nicaragua's debts with the U.S. "On the contrary, we international obligations," he said.

"Our U.S. creditors and suppliers can be sure that we will now up to the last cent

munity did not support the trade embargo, he said.

will pay up to the last cent for the goods we have re-ceived."

Dr Ramirez sald that recent commitments made to 60
U.S. banks over the restructuring of Nicaragua's foreign
deht would also be maintained. The U.S. business com-

The Vice-President said Nicaragua had taken pre-cautionary measures to mini-mise the impact of further possible U.S. sanctions. Future santicons could include the seizure of Nicaragua's assets in the U.S., the inclusion of U.S. overseas subsidiaries within the terms of the em-bargo, and the prohibition of

the use of the U.S. dollar by Nicaragua in international The renouncing of the 1957

friendship treaty between the two countries hy the U.S. on May I removes the protection against exproprietion guaranteed to the 45 U.S. companies which manufacture or trade in Nicaragua. However Dr Ramirez said: "We do not intend to make reprisals Dr Ramirez said "Nicar-

agua was in excellent condi-The recent proposal to

Houduras over the pacification

of their joint border zone included the possibility of combined military action against the U.S.-backed counter-revolutionaries, or contras,

were now concentrated in several bases just inside Honduran territory, and the Nicaraguan depnty foreign minister had recently discussed with his Honduran counterparts their concerns over the presence of the contras inside Honduras. Our San Jose correspondent adds: The first U.S. troops heve arrived in neutral Costa Rica to help improve the

border guard force. Although civil guards have been trained at U.S. military been trained at U.S. military schools in Panama and Honduras, this is the first time U.S. troops will be present in Costa Rica. From this month some 20 U.S. efficers will train 750 guardsmen at n camp near the Nicaraguan border.

Costa Rican President Sr Luis Alberto Monge admitted last week the country had no proof of an imminent Nicaraguan invasion but said the country could not defend itself with "machetes and flintlock rifles."

## **U.S** moves to dispel European fears on secret SDI research

sought yesterday to dispel fears classified and unclassified rein Western Europe that the search under the SDL" allies will be barred from work-ling on the most sensitive parts. Writes: Four U.S. senators have of its Star Wars research, AP reports from Brussels.

The U.S. mission to the North Atlantic Treaty Organisation (Neto) issued a statement de-claring that the allies would be allowed to work on the secret USSR as well as the non-secret portions of the project, known as the Strategic Defence Initiative these

Nancy Dunne in Washington writes: Four U.S. senators have asked President Reagan to adtheir to Salt II ceilings for multiple-warhead missiles, adding their voices to s growing debate within the Administration over whether to continue the U.S. USSR informal strategic arms

In e letter to the President the senators—Republicans John Chafee and John Heinz and

tions of the project, known as the Strategic Defence Initiative (SDI).

This was in response to published reports that Gen James Abrahamson, the head of the SDI programme, had told n Belgian newspaper the allies would be excluded from the secret research.

In March the Pentagon formally invited the Nnto allies and other friendly nations to join the \$26bn (£21.7bn) SDI research programme. So far only Britain has said it will participate, while most of the others have expressed varying degrees of interest. Among the major powers, only France has ruled out participation.

The U.S. mission to Nato said Gen Abrahamson's office had instructed it to state that "allied nations, if they so decide, will

#### U.S. retail sales rise 0.9% in April to \$112.2bn BY STEWART FLEMING IN WASHINGTON

EVIDENCE THAT consumer spending in the U.S. is providing only a modest boost to the U.S. economy came yesterday when the Commerce Department reported that retail sales in April rose 9 per cent over the level of the previous month to \$112.2bn (£935bn).

The department also revised its March estimate to show a consumer spending.

Over the three months from its March estimate to show a smaller 0.7 per cent decline

from February rather than the 1.9 per cent initially reported. Nowadays the reference is to Nicaragua, where widening support for a leftish movement against an insensitive eutocrat brought In a popular regime quarter the economy is "off to a moderates. Just as Nicaragua now worries the U.S., so, on this parallel, will the Philippines. The unanswered question is how Mr Mercos will respond to the mounting pressures around thim, and the mounting pressures around the mounting pressures ar

Over the three months from February to April retail spending was only 1.2 per cent higher than in the previous three

A key issue is how the Demo-crats should respond to the cuts in social security benefits which have been appropriate.

Political disorder threatens U.S. Pacific strategy AS AMERICANS ponder increased U.S. involvement in Nicaragua and reflect on their PACIFIC OCEAN defeat in Vietnam 10 years ago, fresh dilemmas are belng posed in n third country involving vital U.S. Interests—the Philip-President Ferdinand Marcos. a loyal friend to Washington, who has ruled this former U.S. colony for 20 years, is et 67 in erratic health and without an obvions successor. The economy is weak, and the military's alleged involvement in the assassination of opposition leader Benigno Aquino has exposed him to attack. A com-

major success in 1979 in secur- closely in touch with opposition ing access to the former U.S. figures as well as the Marcos naval hase at Cam Ranh Bay government. and to Da Nang air base in Southern Vietnam.

Because the U.S. has no wish to jeopardise its own position, its latitude in influencing Presi-dent Marcos is limited, as the dent Marcos is limited, as the wily leader knows. Washington already sdmits to serious concern both over opposition calls for a removal of the bases and over the growing strength of the guerrilla insurgents, and has even begun considering alternative bases, should revolution suddenly overtake the Philippines.

From here the U.S. has access Philippines. to the Western Pacific and the For the moment opposition Indian Ocean, and control of the sea lanes linking Japan to the Gulf.

To Washington, this strategic position has looked increasingly important ever since the solid or credible alternative government, they appear to pose the NPA in close action in the south. But the large of the NPA in close action in the south. But U.S.'s Cuban blockade 23 years no threat. But the loss of a the NPA is also active in Luzon, ago, began building up its global naval power. But it bas become critical sice Moscowa the U.S. Administration stays the rate of 10 e day, the bulk for fiscal year 1986, the House

The insurgency is a different matter. The New People's Army, the military wing of the Communist Party of the Philippines, is estimated to have between 10,000 and 12,000 armed members and, according to U.S. Defence Department figures, perhaps as many as 15,000. The Communist Party itself is said to have 60,000

The public manifestation of these underground forces is the National Democratic Front, an alliance of left-wing opposition groups which is widely believed

of them initiated by the NPA, resulting in some 3,000 deaths, divided roughly equally between soldiers, guerrillas and civilians. The Government says the trend is being reversed this year and adding U.S.\$75m off military aid and adding U.S.\$60m to economic assistance. Mr Stephen Solarz, head of the militarive in armed encounters, So bold has the Left hecome, however, that last month the Nethouse, that last month the National Democratic Front held a press conference in Mindanao and announced that the NPA would be carrying its attacks to Manila by next year. This is a Manila by next year. This is a threat Mr Juan Ponce Enrile, the Defence Minister, says he takes seriously; already he allows the possibility that hitandrun attacks are being mounted from outside the capital.

It opset the Phinppines Covernment, which feels a rent agreement has been broken.

If the move also irritated the Reagan Administration, it was at least in line with the thinking behind U.S. policy. An interagency study prepared in Washington last November and

Mr Enrile also insists that Mr Enrile also insists that the insurgency remains in-digenous, and diplomats agree there is no evidence of material assistance from other Com-munist countries. But this has not stopped policy-makers in Washington from anticipating the worst and talk has grown of possible alternative bases 1983 bases egreement with the power, reform the institutions Marcos Government, the U.S. and laws regulating elections,

military assistance and \$475m for economic support. Before money even started flowing, however, Congress altered the mix of the Reagan Administration'a first payment,

agency study prepared in Washington last November and leaked in March makes it quite clear that the erosion of support in the Philipines for the U.S. bases can only be stopped through a resuscitation of democratic institutions.

not stopped policy-makers in Washington from anticipating the worst and talk has grown of possible alternative bases.

No alternative yet hinted at, however, would be as suitable as the Philippines. Under its would limit his decree-making 1983 bases egreement with the is paying a total of \$900m over expand press freedoms, re-five years, \$300m for purchases form the army, and end central of military equipment, \$125 for control of strategic sectors of

the economy like grains, sugar, coconuts and fertiliser. They would also mean a proper trial of the 25 soldiers and one civilian accused of conspiring to kill Mr Aquino. Beyond this, the U.S. is enlist-ing the support of foreign governments, especially aid

donors, to press for economic

International Monetary Fund, World Bank and Asian Devel-opment Bank stand by the con-ditions they attach to their large and desperately - needed

loans.

Meanwhile scarcely a month goes by without visits to the Philippines from U.S. officials or politicians—Mr Solarz, Mr Wolfowitz and Mr Richard Armitage, Assistant Secretary of Defence, for example, Given that the Philippines occupies n special place in American hearts and that a

Filipino constituency is becoming increasingly identifiable at

bome, the Reagan Administra-tion is plainly anxious about the course of events in the country and its capacity to influence them without leaving itself vulnerable. Eighteen months ago, in the Eighteen months ago, in the aftermath of Mr Aquino's assassination when protesters thronged Manila's streets, it was tempting to liken Mr Marcos'a position to that of the Shah of Iran before be was ousted. When he fell ill last year and the power of his wife limelda seemed in the ascendant he was likened to Chair.

dant, he was likened to Chair-man Mao in his last days. Nowadays the reference is to

#### WORLD TRADE NEWS

## Aramco signs \$160m Saudi pipeline deal

BY FINN BARRE IN RIYADH

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THE Arabian-American Oil Company (Aramco) has signed expacity.

two contracts worth almost. The new line will roughly
\$80m (£66m) each to build a
crude off pipeline across Saudi line. Industry officials say that

The new 1,201-km pipeline will raise the present capacity of Saudi Arabia's east-west pipeline from 1.85m barrels per day (bd) to 4m bq.

The 58-km eastern portion of the pipeline contract from Aboaig to Dawadmi has been awarded to Abgaig to Mannesmann Anlagenban of Dusseldorf and the Athens-based Lebanese company, Consolidated Contractors International Company (CCC). The western portion of the contract has gone to Salpem of Italy.

The obeline contract was originally broken into four parts, but was awarded as two when Aramco signed the deals on April 30. The signing was on the sest-west pipeline but eventually pumping stations Japan.

BY DAVID BUCHAN

have saved Russia \$13bn'

THE SOVIET Union might 1990s and beyond " and might have saved likelf up to \$13bn have saved Moscow between (£10.8bn) in weapons development costs if the U.S. Government costs over the life span

ment had approved some 79 of the weapons involved.

export licences requested in The 15 CoCom mamber1983-84 for electronic high-technology sales to Moscow.

The use of the weapons involved.

The 15 CoCom mambercountries—most Nato countries
plus Japan—might have had to

This assessment comes in a spend a slightly larger amount, study released this week by the U.S. Defence Department and is designed to bolster its case for tougher U.S. and allied export controls.

The study, conducted for the of risky assumptions that for Defence Department by a private Maryland research firm, is the first Western attempt to in precisely the way that the

assess the financial impact of West do the technology drain to the East. U.S. de Tighter allied export curbs parable.

were agreed last year in the Co-ordinating Committee (CoCom)

the Paris-based group which supervises high technology exports to the Eastern bloc-

but Congress has yet to finish its review of U.S. national export control legislation.

The report studied the 79

most sensitive licensing requests of the 2,000 handled by

These concerned telecom-

warface technology.

Defence Department in

will be upgraded to raise line

with the construction of a new line Saudi Arabia will be almost independent of shipping in the

Some officials add that tho new line is being built because corrosion problems on the present line may force closure within a couple of years for major repairs. Construction will begin in

Construction will begin in June, and is expected to finish by March 30 1987, a total of 3,000 workers to be employed. The Government has exempted the contract from its usual 30 per cent rule, which requires foreign and joint-wenture contractors to award 30 per cent of their contracts to per cent of their contracts to 100 per cent Saudi companies. Snppliers for the pipeline include National Pipeline Company, a Saudi-Japanese joint venture, Siderexport of Italy, and Nippon Kokan and

in precisely the way that the West does and that Soviet and U.S. defence costs are com-

But the likelihood that there are very real Soviet military

gains from Western technology,

though on a much smaller scale than suggested by the U.S. Defence Department, was recently underscored by the leaking to the French Press of

apparently genuine Soviet documents obtained by French intel-

ligence in 1983 when some 47 Soviet officials were expelled for

alleged spying.
This assessment by the Soviet

aviation of acquisitions

Sumitomo Metal Industries of portant new venture in the field of export credit management." Hi-tech go-ahead 'might

#### New export insurance

scheme By Our Trade Staff A scheme for managing export insurance for smaller companies was launched in with the West.

London yestarday. Unicol Group Holdings, a credit management and debt collecting company, is offer-ing to take over the administrative work involved in insuring trade and recovering Cuba wants to boost its imarrears which would other-

wise be handled by the exporter and the Export Credits Guarantee Depart-This would indicate Cuba's Companies that bought the service would continue ta be insured under the standard ECGD policy, but, it was claimed, costs could be cut by tighter credit control and fewer claims on the policy. The scheme, to be called

UNEXIS, does not provide trade finance. The company said that in the event of non-payment, it would pay 80 per cent of the insured value of the goods 90 days after the due date, and the balance after a further 90

charge.
The ECGD pays 90 to 95 per cent of insured value after the loss has been verified, which takes between The scheme was welcomed by ECGD officials as " an lm-

# Cuba to boost trade ties with West

to Cuba returns to London to-day confident about increased numbers of orders after receiving assurances that Cuba ity to meet Cuban import agen-intends to boost its trade ties cies and to make a mediumterm assessment of Cuba's im-

Senior trade and banking officials, including Sr Ricardo Cabrisas, the Trade Minister, made clear to the 20-member mission that Cuba needed more Western expertise to update its own industries.

ports from Western nations to 20 per cent from 16 per cent, the officials said.

imports from Comecon would scale back to 80 per cent from existing levels of 84 per cent. Western exports to Cuba and boost the export potential would therefore rise to \$1.050bm of its products.

(£875,000) this year from The most useful expertise is around \$800m in recent years. in basic and medium technolo-Potential exists for an even greater scope for Imports but is hampered by tight Paris Club restraints which followed Cuba's own debt rescheduling of August 1982.

Cuba is also pressing for moro liberal export crodit terms from western agencies, particularly Britain's Export Credits Guarantee Department, which Cuban officials cited as having been particularly conservative with only short-term coverage limited to £10m.

Cuban Contral Bank officials

mect British bankors in Lon-don this week to discuss debt matters and bope to achieve more liberal terms from the

For those British companies on the mission, the 10-day visit gave them a first-hand oportun-

port needs. Visits to factories and project sites elicited the universal observation that Cuba needs considerable injections of

arating in Cuba's centralised economy accept that business on an individual basis, must be at small levels.

The British companies, for Western "know-how" if It is example, say they are individu-to update its own infrastructure ally doing business at annual

Cuba needs considerable injections of Western know-how' if it is to update its own infrastructure and boost the export potential of its products, Frank Gray, recently in Havana reports.

been handling up to one mis-slon a month in the past 18

gies. The paints division of ICI, for example, learned that there are more than 1,200 bridges needing paint in Cuba and numerous public buildings months. Canada, through more than around Havana requiring atten-tion as the Government begins the long lask of improving the city's appearance. Paint factories themselves need overhauling if thay are to

begin to meet domestic needs. Spear and Jackson of Sheffield found a shortage of wood and industrial cutting equipment, but more importantly, said that that sector lacked adequate support equipment, such as sharp-

oning machinery Similar needs were found by other mission members repre-

levels ranging between less than £100,000 and £1m to £2m.
Similar experiences have
ben found by Canadian trade
officials in Havana, who bayo

10 years of solid tourism links, bas become Cuba's largest Western trading partner with exports at \$295.3m in 1983 and estimated to be 3 per cent higher last year.

They are dominated by wheat other agricultural goods and timber products with chemicals and manufactures at 7 per cent of the total. Canada's imports from Cuba were worth \$55m.

Britain's export trado share. mostly in manufactures, was worth £64m in 1984, leaving the

valves, conveying and transmis- as Spain, France, Germany, sion equipment, tools and Italy and Japan.

measuring instruments, drain-Spain is Cuba's largest Western export market, largely age material, basic chemicals. solvents and package equipment. on the strength of rum and tobacco products, and is the Western trading interests oponly Western trading partner with which Cuba enjoys a

> Lord Selsdon, financial adviser to the Midland Bank, who was the tour leader, said it was important for Britain substantially to boost its imports of Cuban products as this would belp British exporters carve nicbe in the only market in the Westorn hemisphere not served by the U.S.

> These goods could include such items as bonoy, rum, molassea, nil and sugar, much of which could be moved to other markets with Britain serving as an entrepot.

Wostern trade specialists believe efforts to belp tho Cubans find markets could in the long term, lead to major infrastructure projects in Cuba, currently dominated by Soviet and Eastorn European state in-dustries. The most immediate potential is in the botels and service sector.

But one which cangbt the eye of Lord Seldson was tho recently prepared plan to over-heul Havana's sewago system.

It was Lord Selsdon who spearheaded creation of the British consortium which has won sevoral bundred millions of pounds in contracts for the Tokyo sets seal on U.S. steel pact

THE JAPANESE yesterday approved a five-year plan to cut steel shipments to the U.S. from 6.3 per cent to 5.8 per cent of the U.S. markot, AP reports from Tokyo. Japan is one of nine steel

exporters Washington has persuaded since last September to reduce shipments and help cut the foreign share of the U.S. steel market from about 25 per cent to about 18.5 per cent.

The foreign ministry said Japan would limit exports of six stoel categories—sheet and strip, plate, structural, bar, pipe and tube, and wire.

The pact, retroactive to October 1, 1984, will also reduce the export of fabricated steel structures, to 100,000 short tons Japan agreed in December to

reduce its exports

MORE THAN half the men bers of the U.S. Senate have signed a letter sent to Mr John Block, U.S. Agriculture Secretary, urging the U.S. Administration to resumo mixed credit sales of U.S. farm products to

foreign buyers.
These credits are designed to make U.S. products more attraction.

Normal commercial tive. Normal commercial credits are mixed with government money appropriated for international aid, so that the foreign purchaser obtained the goods at a lower cost. ()ther governments, especially France, use such credits frequently. The U.S. bas not done so recently,

FOCUS ON OVERSEAS INVESTMENT AND CAPITAL EXPORT

# BROTHER INDUSTRIES: Conservative Steps

## The sale of this equipment Western technology at roubles and "know-how" "could have 48.6m (£47.8m) in 1979 provided a major increase in Soviet military potential in the in 1978. Foreign car makers win back lost ground in Italy

munications, micro-electronics, military industries commission,

BY JAMES BUXTON IN ROME

have this year been winning back ground which they lost in the Italian market since 1983.

Their share of the market, for the four months to April, was 39.2 per cent, compared with 35.6 per cent over the same period of 1984. Renault, the leading foreign

car manufacturer on the Italian market, won 10.45 per cent, compared with 9.48 per cent in the first four months of last

year. Volkswagen won 6 per cent of the market in the first four months this year, compared with around 4 per cent in the same period of 1984.

FOREIGN car manufacturers months of 1984 to 43.85 per cent in the first four months of 1985.

Alfa Romeo went down from 7.76 per cent in 1984 to 6.79

per cent in 1984 to 6.79 per cent in the same period of this year. Lancia/Autobianchi, part of the Fiat group, rose marginally from 8.5 per cent to 8.95 per cent.

The introduction of the Fiat Uno by Fiat and of new Alfa Romeo models in 1983 and 1984 enabled Italian car makers to push their share of the Italian parkets up hysherical form periods. market up by about four percentage points in those years, com-pared with their performance earlier in the decade.
But now the foreign mann-

Among the Italian producers facturers are fighting back notatively remainded back for the first four competitively priced in Italy.

By Richard C. Hanson especially journalists, the name of Brother Industries is now popular for its innovations in portable electronic typewriters-and its well-advertised role as an official supplier of typewriters to the Los Angeles Olympics. However, Brother was founded

51 years agn in Nagoya, mid-way between the better known cities of Tokyo and Osaka, as a maker of sewing machines. The name of the company reflects the fact that it was the brothers of Yasui family who launched the company with one bold idea: building a sewing machine that would not only compete with imports, but also be exportable.

Brother's management combines conservative ways with a willingness to take risks in entering new areas of business, qualities characteristic of Nagoya's citizenry. Mr. Katsuji Kawashima explains how Brother became a household name around

Hanson: How did you make the transition from being known primarily as a sewing machine maker to that of a supplier of office equipment?

Kawashima: The point is that for 50 years our company's policy has been the same. Last year was our 50th anniversary. When our founder, Mr. Masayoshi Yasui, started Brother the aim was simple: to make jobs. There was a depression on. At that time, Japan also depended on imports. So we decided to make products that could be exported. His father repaired sewing machines, so he chose sewing machines. After the Second World War, it was agreed that sewing machines were a useful product, both for employment and as an export. We began to diversify into electronic appliances, typewriters and so on. We always kept in mind our engineering capabilities and the marketability of the product.

Hanson: It sounds as though you are used to adversity.

#### Difficult Times Overcome

Kawashima: We've had some difficult times. After the dollar shock and the oil shock of the early 1970s. we thought exports were doomed. Our exports fell 30% in 1974, but then rebounded by 50% the following year. Our policy was to keep exports at about one-third of our total sales. We thought that was safe. We then changed our basic policy 10 bring the ratio of exports up to 50% of sales. Moreover, we decided to place more emphasis on typewriters. Our basic product was home-use and industrial sewing machines had been. Four years ago, when our sales were about yen

writers to the Los Angeles Olympics. That was our first big move into electronic office-use typewriters. We began with manual typewriters 25 years ago, and we expanded into dot matrix printers. We have just annnunced a new innovative printer, the Twinriter 5, which combines both daisy wheel and dot matrix capabilities.



success as an exporter? Kawashima: About 31 years ago. we decided to form a trading company. That trading company formed a company in America. At that time, export prices were going down. There were lots of problems. What we finally did was to leave the development of the American company to three key go tn America, but things were too busy here in Japan. So we depended

Hanson: You have expanded your overseas sales force considerably. What about moving production to

Kawashima: We can sell in Asia

year. The biggest reason for setting up overseas is to extend our export market. setting up industries in countries like Brazil.

Hanson: What about competition from South Korea and Taiwan?

Kawashiwa: Competition is very severe from those countries. We have set up sewing machine plants in both countries, both for exports and for the local market.

Hanson: If it is less costly to produce in South Korea and Taiwan, does it follow that Japan is going to become less and less important as a production base for exports?

Kawashima: Yes, let me illustrate. The peak for sewing machine production in Japan was about 4.36m units in the mid-1960s. Japan now produce

only 1.3m or so per year. Most of the volume has moved to Taiwan. The Japanese market is still about the same -around 1m machines a year-the 3m units we used to export are gone. Hanson: You achieved your fiveyear plan goals two years early. What do you do now?

#### A New Five-Year Plan

Kawashima: Starting next year, we will set out another five-year plan starting in 1986. I think we will try to continue to target exports at about 60% of sales. And I want to bring nffice equipment to 50% nf the total and keep sewing machines at 25% nf the total. New products will make up Hanson: What is Brother's ap-

proach in developing new products? Kawashima: Over the past few years, we have doubled the amount of

money we spend nn research and development to over 3% of our sales. We are spending more on new equipment and expanding production. Our capital spending budget is yen 18Bn

Hanson: Nacova-based companies are known for their conservative financial practices. How are you

Kawashima: In fact, after 14 years of no bank loans, we borrowed money for the first time. On capital markets, we have raised yen 20Bn, one-fourth of that in nverseas markets. But my goal is still to keep the company's equity ratin above 50%.

Hanson: Are there any additional plans to top the international capitol markets?

Kawashima: At this moment, we don't see any need to increase our capital again. But this year, our sales will be increasing to over yen 200Bn and profit to more than yen 18Bn. That is still a good position for a company with our capitalisation. When we get much higger, we will have to reconsider raising it.

Hanson: What are your sales targets? Your forecast is to increase total sales by 12% this year. Can you maintain double-digit growth?

#### **Double-digit Growth**

Kawashima: Domestic sales are not going up as fast as I want, so it is difficult tn project. Trade problems are also an uncertain factor. Our exports went up 30% last year mainly because nf nffice equipment. But there are too many suppliers creating a glut of new products in America, too many competitors. So business may be down. However, we can see some increase in sales in China.

Hanson: What about new products? Kawashima: We were fortunate

to have introduced the epoch-making portable electronic typewriter, the EP series. Wo already have three models, the same size and price but more functinns. Our problem is to continuously plan far ahead for new products. For example, when we were approved by the Olympic Committee to supply office-use electronic typewriters, we weren't yet making them. We set our goal and had to meet it.

Hanson: The region surrounding Nagoya seems to have an exceptional concentration of successful manufacturers. Brother Industries is one example. Does Nagoya have any particular strength? Kawashima: You might think

that Nagoya is a very aggressive place, because Toyota Motor is here. But actually it isn't. This is a very conservative place. We have a saying, tap a stone bridge before crossing. Sometimes you don't cross it. Sometimes you don't even tap it. But 50 years ago when we started, it seemed very daring to start making sewing machines. But progress is step-bystep. Out targets are very high, and that looks aggressive, but the steps are very conservative.

## Europe's diesel car sales 'could reach 2m a year'

ANNUAL DIESEL car sales in easy and convenient availability Western Europe could reach of diesel fuel." Western Europe could reach 2m, or 20 per cent of the total

new car market, before the end of the decade, according to a report from Antomotive Industry Data (AID)\*. Sales leaped last year by 30.8 per cent to reach 1.36m.

according to the statistical group's latest newsletter. It adds that the 7.3m diesel cars on the region's roads and the expected continued fast growth are "creating a mighty market potential for the aftersales market participant, with particular emphasis on fuel injection systems, service and parts supply.

"The point is clearly under-lined in repect of the availability of fuel injection pumps, for supply is reaching dan-gerously low levels and demand is threatening to exceed supply for the right equipment."

tev issue as for the five controlled as for the diesel sales, particularly in the UK and Switzerland.

Diesel car penetration of the West European market reached 13.77 per cent last year, representing 561 per cent growth from the 2.61 per cent penetra-tion of 10 years earlier, AID points out. The group says that a brief setback in 1983, when sales and penetration fell, was mainly the result of the relative cheapness of petrol at that time. Last year's resur-gence, it adds, had confounded views that "the diesel bubble had burst."

AID says diesels bave changed "the entire outlook on the European automotive scene," and that manufacturers who had been slow to follow the trend are taking rapid

remedial steps.
As a result, there would be "a flurry" of new models into the market this year — AID identifies 20 to be launched before 1986 - which would be AID says that even the oil companies have been caught certain to expand sales further unprepared for the upsurge in at the expense of petrolpowered cars.

UK and Switzerland.

Automotive Industry Data
This leaves "the fuel supply newsletter 8508, 34 St John
network with a lot of catching
up to do in order to grandard." up to do in order to guarantee 6PB.

100Bn, we launched a new five year plan. That was designed to double our sales, products to one-third sewing machines, nne-third typewriters and office equipment, and the remainder in nther products. Last year, we had already exceeded our sales target. And the boom in office equipment meant typewriter sales met the mark. However, exports 60% of sales—higher than our goal. have leaped up to about Hanson: That seems

like good planning. Kawashima: What we did was to introduce more electronic technology in our products, and we invested in expanding our international sales force. We were also helped by the publicity nf

being an official supplier of type-Hanson: Why did you get into

producing manual typewriters? Kawashima: At the time, our main export was sewing machines. One of the retail chains we used in the U.S., Western Auto, asked us whether we could produce a typewriter for \$50, to compete with other producers. The bottleneck was that typefaces were produced only by two or three companies. If we bought from them, we wouldn't have been able to compete. So we decided to use a special method to produce our own typeface. That is how we succeeded. If we make a good product, then we can sell it. That goes back to the company's original idea.

Hanson: Your overseas sales now exceed domestic sales, thanks largely in the popularity of Brother business machines. What is the secret to your

Mr. Katsuji Kawashima Brother Industries, Ltd.

people in the U.S. I was supposed to on the American management. We just made good export products.

overseas plants?

#### **Moving Production Overseas**

and the U.S., but we found early on that there were barriers to imports of our sewing machines in Europe. That's when we decided in build a plant in Dublin, Ireland, to assemble machines on a knockdown basis. We now have plans to build a plant to produce electronic typewriters in England, which will start assembling by the end of this

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# Vietnam tackles its energy shortage

By Chris Sherwell, recently in Hanoi

in Hanoi and Ho Chi Minh City.

Barely s dsy goes by without built with Soviet assistance. Factory black-outs caused by power cuts. Petrol stations do not exist. Vietnam is energy-short, and progress towards are put at around 130m tonnes.

The official explanation is simple. The country has had decades of war, and failed to exploit its own resources. According to Mr Tran Phuong. Vice Premier with special responsibility for the economy. that is now changing. Strong efforts are being made to develop energy supplies, to save precious foreign exchange to make to develop alternative to develop alternative to the simple of coal are usually exported to be the ported, providing much needed foreign exchange. But the export volume fell in 1982 and again in 1983.

Major markets like Japan declined because they have the technology to use lower quality can be a simple of coal are usually exported, providing much needed to be the last of the providing much needed to be the last of the ported, providing much needed to be the last of the ported, providing much needed to be the last of the ported, providing much needed to be the last of the ported, providing much needed to be the last of the ported, providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be the last of the ported providing much needed to be ported providing much neede that is now changing. Strong efforts are being made to develop energy supplies, to save precious foreign exchange

save precious foreign exchange and reduce outside dependence.

Vietnam's main domestic energy source is still coal, as it has been for ages. But hydroelectric power is being developed, and there is an offshore oil and, gas exploration programme. Mr Tran Phuong even likes to talk of a Vietnamese nuclear station in the 1990s. oil and gas exploration programme. Mr Tran Phuong even likes to talk of a Vietnamese nuclear station in the 1990s.

Annual coal production bas stagnated in recent years, at 5-6m tonnes, The mines, which

remedying the problem is slow. Several hundred thousand
The official explanation is tonnes of coal are usually ex-

and paper mill in Vinh Phu province. The station uses fluidised bed combustion tech-

5-8m tonnes. The mines, which are in the north, use outdated equipment and some were destroyed or damaged during the 1979 border war with China, Vietnam's northern neighbour. A large share of the output consists of dust coal.

Officials say new mines will come on stream as older ones are exhausted. The hope is that productivity will also be raised, through the use of more

nology.

Another, much larger thermal plant at 500 MW station at Pha in 1983, and the Government is now talking of a 1,200 MW thermal plant south in Danang, built couplement and aid from the construction with aid from the start by 1987, with completion is currently set for 1991.

The Tri An plant is 60km as south of Ho Chi Minh City (formerly Saigon), in an area in reputedly damaged by American can chemical weapons in the war against the U.S.-backed in the first turbine is scheduled to start by 1987, with completion in 1983.

STREET LIGHTS burn dimly modern equipment supplied by in Hanoi and Ho Chi Minh City. It wo new engineering plants built with Soviet assistance. Hieve that many of the country's by 1990. The dam will also be private cars and petrol stations when these are fully onstream of land.

Parely s dsv 20es by without built with Soviet assistance. by the early 1990s. The other two—a 1,900 MW facility at Hoa Binh on the Black River north of Hanoi, and a 300MW facility at Tri An in the south—are both hydro-electric projects.

Hoa Binh, dubbed by some as Asia's Aswan Dam, is reckoned to be the largest

anything, but oil self-sufficiency is still some way ahead

wer plant in South-East Asia. power plant in South-East Asia. It is built underground, making it less vulnerable to attack. Thousands of Vietnamese workers, helped by Soviet advisers, are being employed to get the first generators started in 1987. Completion is currently set for 1991.

The Government bopes that the hydro plants, together with the development of smallerscale hydro projects, will allow the diversion of more coal for export and help save on oil

export and help save on oil imports.

The bulk of Vietnam's oil comes from the Soviet Union at an estimated rate of 1.6-1.7m tonnes a year. It is not clear precisely what Vietnam's because arrangements are for these purchases, but Moscow allows deferred payments and it is assumed Hanoi will pay in disagraphics.

Salgon in April 1975 several Western oil companies had off Vung Tau on the southern coast. Some of these negotiated contract with the Vietnamese assumed Hanoi will pay in disagraphics. assumed Hanoi will pay in discovered oil, if not in goods or cash. With foreign exchange reserves at little over U.S.\$16m, cash or near-cash payments are unlikely.

The position is almost cer-tainly different with a second, smaller source, namely Singasmaller source, namely singa-pore, whose trade figures abow its main domestic export in Vietnam as mineral fuels. In addition, according to one Viet-namese, at least one state enteraddition, according to one Viet-namese, at least one state enter-prise under the control of government ministry is earning foreign exchange through a Japanese programme in neigh-bouring Laos, and this hard cur-rency is used to purchase oil from the Middle East. This in-formation, however, has not been confirmed. been confirmed.

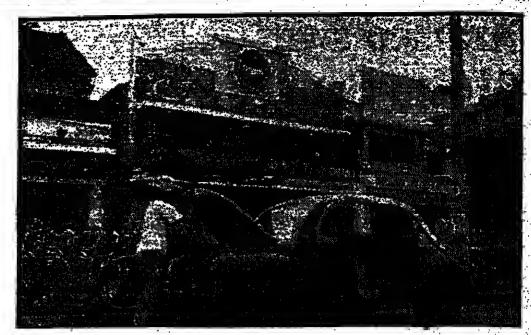
Though the supply of oil and products is state-controlled Vietnam—there are no

motorcycles, especially in Ho
Chi Minh City, suggests that
control is less than total,
Indeed, officials admit that government supplies are siphoned off for sale to traders

authorities after 1975, but the last left by 1981, apparently because of disappointing results and high costs.

That year, Hanoi and Moscow signed an oil co-operation agreement. In 1983 Mr Nguyen Co Thach. Vletnam's Foreign Minister, claimed that Vietnam would have its first oil by the

This schedule is now officially admitted to be way off target, but it is not clear what has gone wrong, if anything. Some people believe the attractions of U.S. offshore expertise, widely thought to be ahead of the Soviet Union, are one reason why Vietnam would like to see more normal relations with Washington. Others wonder about the true



Ho Chi Minh City, formerly Saigon. Now petrol is almost impo

resource position. On reserves officials will say only that latest indications point to domestic oil production of "many million tons per year" and reserves of complex \$200m deal involving north, on the other hand, tons per year" and reserves of complex \$200m deal involving north, on the other hand, to offshore oil equipment for Viet.

| Communist countries in the south will have connections. He concluded a been fully exploited. In the contries of the contri

told the foreign Press in Hanor that there were two rigs now operating, capable of producing a "few thousand" tone per year, and that Vietnam intended to put up "dozens" of rigs. He was speaking around the time of a visit to Vietnam by M Jean-Baptiste Doumeng, the French

"many hundreds of millions of tons," giving no precise estimates or explanations.

Recently, Mr Tran Phuong told the foreign Press in Hamoi told the foreign Press in Hamoi that the state would in the 1990s have a second to the state of the the kind Comecon the East bloc to compete with its non-contrading group, used. This munist neighbours would be sited near an old. The immediate objective

official calculations, hydro re-

region's power needs will be adequately met with thermal

Mal

725 -3-5

Co.

and hydro power.
At any rate, it is clear that
Vietnam, as one of the poorest
and least developed countries had been found in the north. Vietnam as one of the poorest and said he hoped Vietnam and least developed countries would in the 1990s have a in the world, has a long way to 440MW nuclear power station of go in the energy field if it hopes

nuclear energy research centre in the south, at Da Lat.

By that time, according to the longer-term picture is less

#### **APPOINTMENTS**

#### Managing director for **Bowater-Scott**

BOWATER INDUSTRIES AND SCOTT PAPER have appointed Mr Robert E. Rodgers as manag. Mr Robert E. Rodgers as managing director of Bowater-Scott from June 1. He has been deputy managing director of Bowater-Scott since early 1984, having previously held senior appointments within Scott Paper. Mr Rodgers succeeds Mr Robert J. Healey who returns to Scott Paper in Philadelphia, prior to retirement at the eod of 1985.

Mr David W. N. Landale has been appointed chairman of TIMBER GROWERS UNITED KINGDOM, the Government-recognised body private woodland owners. He takes over from Mr J. M. G. Galbraith.

Mr P. A. Randall has joined the partnership of T. G. ARTHUR. & CO; independent consulting actuaries, Mr G. H. M. Goddard has resigned.

SUMITOMO TRUST has opened a wholly owned subsidiary in Luxembourg, Sumitomo Trust and Banking (Luxembourg) S.A. The chairman is Mr Masshad Maisunaga. man is Mr Masanad Matsunaga, who is also chairman of Sumitomo Trust International in London. The general manager, Mr Masatsuki Esaki, bas been promoted from London where he was deputy managing director of Sumitomo Trust International.

PANNELL KERR FORSTER has appointed four new part-ners: Mr Andrew Wilkinson in Beilast; Mr John Thompson in Derby; Mr Bryan Jackson in Glasgow; and Mr Michael Page in Bristol.

Mr Colin James has been appointed a director of MARLEY. He remains company secretary.

The STEEL WINDOW ASSO-CLATION has elected as presi-dent from June 21 Mr I. D. Collin, Crittall Windows, and Mr S. K. Evans, Cotswold Case-ments, will be the new vice-president.

SUTER has appointed Mr
Robert Morris as managing
director of its newly formed
distribution group. He is currently managing director of
Nationwide Refrigeration Supplies, o wholly owned Suter
subsidiary. Mr Morris has also
joined the board of Suter Equipment and will assume full
responsibility later in the year
upon the retirement of the current managing director, Mr
Bernard Mondy, who is also a
member of the Suter main board.

THE CHARTERED ASSOCIA-THE CHARTERED ASSOCIATION OF CERTIFIED ACCOUNTANTS has elected to serve for the year 1985-88: Mr P. T. Hobkinson as president; Mr N. Cannon as deputy president; and Mr S. Thomson as vice-president.

Mr Barrie Murray-Upton has een appointed UK and Euro-ean managing director of

#### Cash grants

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CADNETIX, of the U.S. The appointment follows the opening of the first overseas subsidiary in the UK based in Gloucestershire. Mr Ian Yates has been appointed UK and European director of marketing.

Mr Michael Seah has been appointed sales/marketing director of REED ASIAN PUBLISH.
ING (PTE), Singapore. The company has been set up by Business Press International to represent its three Asian trade journals: Asian Bullding and Construction, Asian Electricity and Far East Health.

Following the purchase of CENTURY ALUMINIUM from the Amari Group by ASV of Norway. Mr Jon Kvam and Mr Knut Preus of ASV have joined the board. Resignations have been accepted from Mr A. Meller and Mr A. R. Mertington of the Amari Group, and from Mr Bill Meredith who has refired from Century.

Mr E. J. Jordan, chief executive of Henry Bath and Son, has been appointed to the board of the METAL MARKET AND EXCHANGE COMPANY.

Mr David Broughton, director of BIS Applied Systems' MODUS division and the man behind the development and marketing of the BIS/IPSE (Integrated Project Support Environment), has been appointed an executive director of the company. Mr David Broughton,

#### Mintex Don board formed

Following the acquisition by BBA Group of Cape Industries' automotive business, the board of the new company, MINTEX DON, has been appointed. Chairman will he Dr J. G. White, who is group managing director of BBA Group. Mr J. V. Bedford becomes managing director. The other executive board members are: Mr G. Cartwright, manufacturing and deputy managing director; Mr M. R. Black, finance: Mr J. K. Clayton, operations; Dr D. Moran, R and D. Two non-executive directors are Mr M. L. Bentley and Herr H. Slersleben, chief executive, Textar. Textar.

Mr Bryan Benn, chief accountant, has been appointed chief internal auditor at BRITISH RAILWAYS board headquarters. He succeeds Mr D. J. Coates, who held the post on secondment from Peat, Marwick Mitchell and Co and has now returned to that firm. Mr Benn takes up his new duties on June 1.

Mr Dennis Hutchings has been elected president of the FREIGHT TRANSPORT ASSOCIATION for 1985-86. Mr Hutchings, who is group transport co-ordinator, Thorn EMI, was first elected president for the year 1984-85. Vice-chairmen are Mr Fraser Menzies, director of distribution, Reckitt and Colman, and Mr Stuart Phillips, distribution director, Rank Hovis. Honorary treasurer is Mr Robert Donald, director, transport group. Dairy Cress Foods.

Mr Gerard W. C. Lemmens has joined GEBRUEDER HES-SELBERGER, hop merchants, as joint managing director.

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## Manufacturing automation: How to make it work

manufacturing auto-worldwide in the

mation worldwide in the balance—and finds it wanting. Computers, it says, have proved themselves in the fight to drive down costs and improve efficiency yet the survey showed that intergration of businesses through the wide-spread and dedicated tise of computers hardly exists at all. "Very few companies," It says "have what might be described as compelling shop window installations running at a level sufficient to atimulate

window installations running at a level sufficient to stimulate interest and application. And many other systems, parts of which may be operating under computer control, do not live up to the integrated manufacture requirements of simplicity and lower production cost."

the south will be completely exploited. In a case of the power, the other hand a power needs will be completely met with the case one of the power. It is clear to developed completely needs as a long with the case of the power of the case of the case of the power of the case of the

Depressing findings, these, after so many years in which computer integrated manufacture (CIM) has been halled as the way forward in manufacturing technology.

Ingersoll is careful to make clear, however, that it believes implementation is at fault rather than the basic concept. Its own surveys showed that where CIM had been properly implemented reductions of up

INTEGRATED Manufacture is to 30 per cent in engineering to computer integrated manufacture as competing in a lead times could be obtained, facture as competing in a lead times could be slashed by developing racing cars.

So argues Ingersoll Engineers in the introductory chapters of a new report which contents of a new report which contents

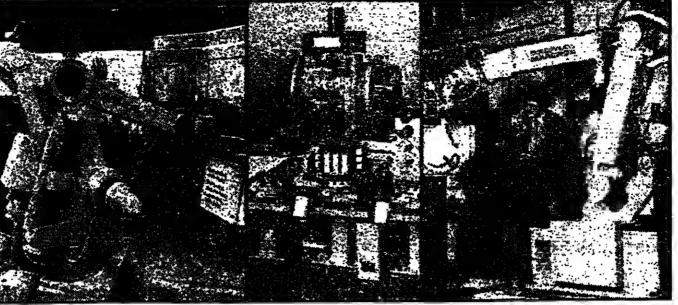
Other advantages included; productivity of capital equipment increased by two to three times, work in progress reduced by 30-60 per cent and up to e-fifth reduction in personnel

So Ingersoll would seem to be right when its says that CIM is the most important enabling technology available to re-vitalise manufacturing industry. So what is going wrong? Why is manufacturing industry world-wide apparently failing to exploit the benefits of CIM? First, some definitions. Inte-

grated manufacture is a business philosophy defined by Ingersoll as "forcing out unnecessary waste by reducing complexity and cost while improving quality in order to be much more competitive." be much more competitive."

CIM is the enabling techno-

logy that makes integrated manufacture possible. Ingersoil argues that CIM is not easily understood, that it is an intangible concept with many definitions depending on the standard of the protegration.



Robots and a flexible machining system: Can they really be integrated in the factory of the future?

hold and process all the information about the manufacturing process from receipt of order and raw materials ordering to despatch of the finished

product and credit control.

The Ingersoll report says:
"First simplify; second integrate and then epply CIM technology as appropriate.

"Manufacturing organisations

Implementation is at fault rather than the basic concept. Its own surveys showed that where CIM had been properly implemented reductions of up standpoint of the protagonist.

Standpoint of the protagonist. To integrate so many different processes and operations is all the advances made in recent very difficult and is one of the protagonist. To integrate so many different are complex "it easy "Despite processes and operations is processes and operations is processes made in recent very difficult and is one of the protagonist. To integrate so many different are complex "it easy "Despite processes and operations is processes and operations is processes and operations of the protagonist. To integrate so many different are complex "it easy "Despite processes and operations is processes and operations is processes and operations are complex." Its own surveys showed that stood at one level as the use of computer, or series on inter-them. tration, design techniques and should encompass the whola

so on-understanding and controlling the eotire manufactur-ing process is now so complex that no one person can manage

that no one person can manage it in any but the smallest firm."
Why computerise in the first place? Ingersoll queries. There may be areas where manufal systems will do the job better. Integrated

business, embracing all the processes in making and selling products successfully—market-ing, sales, design, engineering. production, accounting and Nevertheless, a series of case

studies indicates the power that the computer can exert on the manufacturing process.

A \$750,000 machine tool for boring six-cylinder Cummins diesel engines was in trouble. The bore shapes it was produc-ing were inaccurate and engineering analysts and trial and error procedures had failed to locate or correct tha problem.

A computer program was written to simulate the operation of the machine, creating the shape of the bores on a visual display. Experiments with the simulation showed that at a certain point, it became clear that reversing the spindle direction did not change the relative places of

the faulty bores This clue pointed tha way to the problem and its solution, a solution which would not have been possible without tha com-

 Ingersoll studied some 40 companies manufecturing en-gineering products with turnovers of between £2m and £20m.

The analysis of these companies, all of which had invested in some elements of CIM, showed that a typical payback period for computer production and inventory control was six months to one year, for com-puter aided design, six months to 18 months and for complete flexible machining systems, three to seven years.

How, then, should a company plan to integrate its mannfac-turing operations? "This report advocates that integrated

for building products, heat exchange drinks dispense, fluid power,

special-purpose valves refined and wrought metals. iMi pic, Birmingham, England

manufacturing is approached. not as a combination of existing or known technologies and equipment that must be linked together, but rather from first principles, by examining all aspects of a total business—its facturing and products—and combining them in e new way to long-term objectives."

The report emphasises the importance of keeping the project simple: "The key features will be simplicity, practicality and attention to detail. Atten-tion to detail must be ebsolute and cannot be avoided."

And cannot be avoided."

A detailed plan is required to manage the project through its separate phases and adequate resources must be available:
"To attempt implementation without these will reduce significantly the chances of success." But if there is little experi-ence world wide in implementing total integration systems, there is plenty of expertise in project management: "All the skill required to implement CIM projects are availeble—it is only the definition of the project which is different."
Integrated Manufacture, £85, IFS Publications.

Alan Cane

We do not envy anyone faced with the problem of choosing a computer system. Some systems are going to survive. Some will be obsolete before you plug them in. And you have to be a fortune-teller to know the difference.

So even if a machine will do its job right now, the question is - will it be able to develop along with your business? And should you decide to change systems in the future, what of all your investment in staff training procedures and programs? These have already costyou even more than the hardware. And who will you turn to for help? Will the supplier still be there?

#### OLIVETTI AND AT&T JOIN FORCES; A MARRIAGE MADE TO LAST

In December 1983 it was announced that AT&T, the U.S. telecommunications giant (1984 revenues: \$33.2 billion) would buy a 25% participation in Olivetti. AT&T, with its world famous Bell Laboratories, and Olivetti, Europe's leading data processing company, would form an unparalleled combination of techno-

logical, marketing, and financial strength.
The financial press called it "a brilliant alliance, formidable enough to take on IBM®." The marriage has borne fruit.

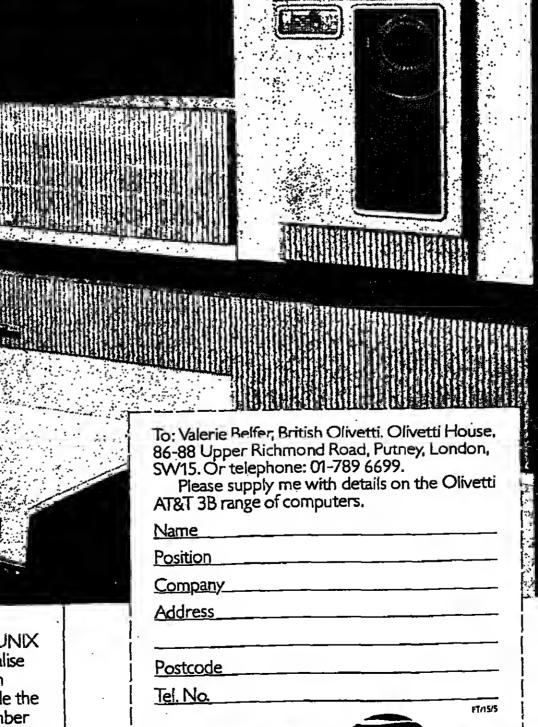
#### UNIX" SYSTEM V AND THE **3B RANGE: DESIGNED** TO MANAGE THE FUTURE

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olivetti AT&T

THE POWER TO MANAGE THE FUTURE

## Japanese novelties for the motorist

BY GEOFFREY CHARLISH

a davice that will directly sense air temperature and mechanic-

ally brake the cooling fan in very cold climates?
Usually, the world's car makers do not readily reveal developments based on novel materials before the production stage. But Nissan of Japan has just published details of about 30 vehicle novelties using materials ranging from fine ceramics to light guiding plastics that transmit signals from moving parts. from moving parts.

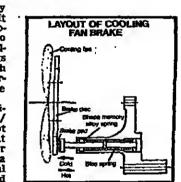
The wiper control is already in several Nissan models. It uses barium titanate piezo-electric material to "listen" to the intensity of raindrops fall-ing on its surface. The impacts become electrical signals which can be used to control the intermittent operation time of the

wipers. The fan brake, still experimental, uses one of the nickel/ tilanium "shape" alloys that are able to "remember" what shape they were given at lower snape they were given at lower temperatures. In this case a spring made of the metal expands when cooled down and presses a shoe against a brake ring on the fan, reducing engine cooling. The device differs from previously announced actuators which need

heating currents — Nissan's device is self-contained. Transmitting signals from steering wheels normally means using slip rings—rings of metal to which fixed contacts on tha column make contact. The

WHAT PRICE a raindrop receiving optically municipal sensor that will control a car's light signals originating from controls on the moving wheel. Tronblesome electrical contacts have been done away with.

> Ceramics ara planned, or are in use in various components. For example, silicon nitride and other highly wear-resistant materials have been applied experimentally to rocker arms, to cope with the higher operating speeds of engines and exhaust gas re-circulation in diesel engines. The weight of turbocharger rotors has been reduced using the same



Nissan also reports lt is working on the use of carbon fibre reinforced epoxy resin for propellor shafts, resulting in greatly improved levels of vibration Similar reinforcement nsing glass fibre is being developed for leaf springs in suspensions. The weight is 80 per cent that of a steel Japanese company's answer is spring and due to a low spring to use a photoconductive rate, a more comfortable ride plastic ring for sending and is claimed.

#### New expert system shell devised for the layman

BY BRUCE ANDREWS

Cancer Research Fund, under Dr John Fox. Expertech was granted the licence to exploit PROPS last October.
Progress in developing PROPS for use by the layman has been fast. Its launch will be six months ahead of Expertech'a original schedule,

"It became clear that we had the opportunity of producing a new kind of tool for building business applications," sald Alex d'Agapeyeff, Expertech chairman. "This will amount to a VisiCalc of expert systems and enable office staff to experiment with and to learn about this technique for exploiting

this technique for exploiting their own knowledge, without specialised training."

The program is written in the artificial intelligence language

artificial intelligence language
Prolog but knowledge bases
may be created in English without any programming knowledge at all, the company claims.
It runs on MS/DOS and needs a
minimum random access
memory (RAM) of 384K. This means it may be used on many

means it may be used on many of the personal computers used by business today.

XI uses powerful inferring techniques, say the developers, including forward and backward reasoning. Rules in English generate menus and the user may seek advice using familiar-looking displays. He may ask XI "Why?" when XI asks a question or gives a conclusion and XI will explain ject such as corporate taxation might require as many as 10 modules, Since storage capacity sets the modula limit, a Winchester disc-drive is an obvious advantage.

The developers acknowledge another limitation: it is difficult to integrate XI with other software. It will be upgraded in about three months, they promise, to achieve full integration.

AN EASY-TO-USE expert isself in terms of the rules if system "shell," called "Xi," has been given. The user may vary his inquiry at any time vary his inquiry at any time vary his inquiry at any time with a "What-if?" facility. Expertech hopes that Xi will be used, initially, to take over mundane office tasks. Examples given are company expenses research team of the Imperial Cancer Research Fund, under Dr John Fox. Expertech was ere often Ignored at present given are company expenses rules, commission systems, safety regulations, and the procedures for obtaining statutory sick pay, where small claims ere often ignored at present because of the time it takes to proceed the procedure of the procedur

because of the time it takes to work them out. Book-keeping systems, anditing procedures and balance sheet analysis are other possibilities.

From experience with comparatively simple applications, Xi users are expected to gain the skill to store the specialised knowledge of company experts ("rare skills archiving").

The limitations of Xi, according to Expertech, are largely governed by RAM end disk

governed by RAM end disk capacity. In practice, it might be hard to build a knowledge base using more than about 300 rules at any one time, given the memory limitations of the average office micro.

But where a knowledge base requires more than 300 rules, and rules proliferate as a base is developed and refined, it is possible to create a series of discreet but inter-related know-ledge modules. An advice system on Xi for a complex subject such as corporate taxation

computers are the only ones in the world specifically designed to get the best out of UNIX System V. That's not surprising when you realise UNIX System V and the 3B range were both developed by the same people. They provide the power and the flexibility to support any number of users, running any application from accounting and word processing right through

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## New Tory pressure group Lloyd's may launch urges change of course

BY PETER RIDDELL, POLITICAL EDITOR

MR FRANCIS PYM, the former Foreign Secretary, yesterday formally launched Conservative Centre Forward, the new pressure group of Tory MPs, with a pessimistic review of the results of current government policy and a plea for a change of course.

The grouping, consisting of about 32 MPs on the liberal wing of the Conservative Party, was made known at the weekend. But Mr Pym - who was sacked from the Cabinet by Mrs Margaret Thatcher, the Prime Minister, after the 1982 Falklands war – last night gave the first full explanation of its aims.

Mr Pym said the MPs believ there was "a need for a less defla-tionary fiscal policy, a comprehen-sive strategy to tackle unemployment, more direct action to improve the competitiveness of industry, a stronger regional policy, greater en-couragement to private and public sector investment, a coherent exchange rate policy and a more sym-pathetic social policy."

It became clear at Westminster last night, however, that the new group has failed to attract a number of senior mainstream backbenchers, while there are divisions among the advocates of traditional one-nation" Toryism.

For instance, ex-ministers such as Mr James Prior, Mr David Howell, Mr Terence Higgins, are not involved and in most cases were not ned. It is also significant that Mr Nigel Forman, who has taken an active part in the recent party debates on the economy, has de-cided not to join although he is sympathetic to its aims.

Moreover, at least one and possibly more of the original sponsors have withdrawn since the advance publicity about the group in the last



Francis Pym: leader of Centre Forward

few days. This is because of worries party within a party would make it much more difficult to persuade MPs in the middle ground of the servative party.

In particular, there is concern that talk of the group voting against the Government might have little impact and might make it easier for

These reservations over the sug-gested tactical approach of the group highlight the doubts of some one-nation Tories, including a num-ber of experienced backbenchers

cuss possible rebellions in his against involvement in industry. speech last night, made to Oxford ments. He said that the MP's goods or services to rise. "prime concern was with the pros-pects for the Conservative Party to-were calling for massive reliation day. When we consider the alterna-

tives on offer, the continuance of a Conservative Government becomes even more imperative."

He warned, however, that with "every new reminder of the failure of present policy, with every refusal to listen to any other point of view, with every act of distance from the feelings and instincts of its own supporters and of the British people as a whole, this Conservative Gov ernment has been giving round af-ter round of ammunition to its political opponents. It stands in danger of being sunk by its own shells."

Mr Pym said the group agreed with much of the Government's analysis and objectives, but he painted a very gloomy picture of what said that without North Sea Oil there would have been almost no growth overall. Unemployment had ripled and was still rising, and tive compared with many other leading countries. Of the seven summit nations, only Italy had an appreciably worse recent record on

He accused the Government of imprisoning itself in e ideological straitjacket. He said the group "does not accept the Government" tion, or its extreme aversion to bor Mr Pym was careful not to dis- rowing or its ideological bias

"We do not believe that inflation niversity Law Society and entitled is caused primarily by an expansion Conservative Future." The of the monetary supply. But instead speech stressed both what the it seems to us that the factors that group has in common with the Gov- cause prices to rise are those that ent as well as its disagree- are causing the costs of producing

# 'lifeboat' company for Minet syndicate

BY JOHN MOORE, CITY CORRESPONDENT

pany may be formed by Lloyd's the after the affairs of 1,525 underwriting members hit by at least £130m

Mr Ian Hay Davison, Lloyd's chief executive, said yesterday that "if all else fails" then Lloyd's will form its own management company to look after the affairs of the stricken underwriting members. Mr Davison was speaking yester-

day after the revelation by the Richard Beckett Underwriting Agency, which forms part of Minet Holdings, that its underwriting members whose affairs it manages. face huge losses from insurance

Minet, one of Britain's largest ingency by the end of the year and the underwriting members will have to find new management for

In Lloyd's it is feared that the uncertainty surrounding the financial affairs of the members will deter other underwriting agents from taking over the man

If Lloyd's were to form a company to take on the management of the underwriting members it would not be without precedent. At the end of the 1970s Lloyd's formed two companies, Additional Underwriting Agencies No. 1 and Additional Underwriting Agencies No. 2, to deal with problems arising on the Sasse syndicate of underwriting members, which faced £20m of losses and troubles surrounding syndicates under the management of the Ashby underwriting agency.

A "LIFEBOAT" management com- Executives of the Richard Beckett agency were yesterday locked in London insurance market, to look talks with Mr Davison and other Lloyd's officials about the future of the agency and the members and the losses which have emerged.

The agency is attempting to es-tablish a "rescue" plan for the underwriting members whereby they would be asked to pay only £7m to £8m a year over e possible 20-year period to meet the cash require-ments of the syndicates in which they are grouped. In this way they would not have to meet the bulk of the losses in the next few months.

Mr Davison ruled out the possi-bility of such a scheme yesterday at been considered, he said, "but the members have to show each year that they can meet their future obli-

Lloyd's members have to produce a certificate signed by an accountant each year demonstrating that they have enough money to pay their insurance claims on present and future losses. The underwriting members of the Beckett agency have until July 3I to show that they can pay their insurance claims.

Any member unable to meet his or her liabilities would be suspended from underwriting at Lloyd's. Policyholders who have been insured by the suspended underwriting member would be paid from a £167.2m central fund. Lloyd's would then seek the money from the underwriting member and take legal action, if necessary, to re-

Minet muddle, Page 12

## Sharp to open UK microwave oven plant

By Robin Reeves

SHARP Corporation is to diversify into the manufacture of microwave ovens for the European market a its Wrexham video recorder plant is North Wales.

The Japanese-owned company plans to produce 120,000 microwave ovens in its first year, building up to 240,000 units a year by 1988. There

The diversification decision is unusually rapid for a Japanese manu-facturing company in the UK and a significant boost for the Wrexham area, which has been hit by the latest Courtaulds' closures. It is only just over a year since Sharp first arrived in Wrexham to build its £15m video recorder manufacturing

Video recorder production began in February et the rate of 3,500 units a month after a new factory had been completed by Fairclough Con-struction in 32 weeks. Output is due to rise rapidly to create 630 jobs in

three years' time.
Initially, the two product ranges
will be produced on the same premises. But microwave oven manufac turing is expected to be located ultimately in another factory, to be built alongside the video recorder

In South Wales, Hitachi has begun recruiting up to 200 staff for the start of video recorder production at its Hirwaun plant. The jobs will push employment at

the factory, which has until now been dedicated to television produc-tion only, to just over 1,000, replac-ing half of the 400 jobs lost in reindancy et the plant last year.

#### Lords defeat attack on arts funding

By Kevin Brown

THE GOVERNMENT yesterday fought off an Opposition ettack in the House of Lords on its proposal for the future of the arts after the abolition of the Greater London Council (GLC) and the six metropolitan county councils. itan county councils.

The Earl of Gowrie, the Arts Minister, said arts institutions had nothing to fear from the local Government Bill, which transfers responsibility for arts funding to borough and district councils, the Arts Council, and a number of other arts bodies.

Labour and Alliance peers claimed there would be a shortfall in arts financing and feared that local councils would be unwilling to replace funds provided by the abolished authorities.

A Labour amendment proposing a single London authority to run arts and recreation was defeated by 172 votes to 143, a Government ma jority of 29. An Alliance amendment proposing the transfer of arts and recreation responsibilities in the metropolitan counties to transitional joint boards was also lost. The defeat of the amendment represented a substantial victory

for the Government.



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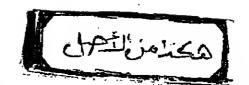
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## Philips to close white goods plant

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THE PARTY OF THE P

PHILIPS, the Dutch electronics group, is to end the manufacture of washing machines and dryers in Britain. It said yesterday that it would close its factory in Halifax, northern England, over the next 12 months with the loss of 550 jobs.

Production for the British market is to be taken over by the company's giant plants in France, West Germany and Italy.

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factory would have to be three to five times its current size for it to

After pondering the move for two pears, Philips concluded that the 14- has resulted in an extremely compoint, Hoover, Indesit and Zanussi. year-old Yorkshire plant was too petitive situation and it is clear that small and could not be extended to sary for profitable production. The the required economies of scale can trade. be gained," the company stated. Market shares and production

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Philips said yesterday that it was small and could not be extended to production must be achieved in preparing plans for an "aggressive give the economies of scale neces- large manufacturing units where expansion" of its slice of the British Mr Jim Collis, director general of

the UK appliance makers' associabe viable," an official said.

There is about 20 per cent overcapacity in the European domestic figures are jealously guarded setion, Amdea, said the closure would hamper British manufacturers at hold a strong position in the UK tempts to reduce imports.

## BT beats loss of èquipment monopoly

By Jason Crisp

BRITISH TELECOM (BT) has ef fectively beaten the Government's attempt to liberalise the market for private exchanges, the largest single sector in the telecommunica tions equipment business.

BT has been so successful in persuading organisations to buy ex-changes (PABXs) and key systems in the last four years that demand is now expected to fall sharply, just as dozens of companies are entering the market.

A market study commissioned by some of the leading telecommunica-tions companies shows that nearly 70 per cent of PABXs and key systems in Britain have been recently replaced with modern electronic equipment. In the year ended last March, BT held 90 per cent of the market for this equipment, according to the study by MZA, a special-ist marketing consultancy.

As most organisations have re-cently replaced their exchanges, de-mand is expected to fall sharply from 98,000 units in 1984-85 to 21,000 in three years' time, according to MZA. It also predicts BT will retain an 82 per cent share of this much diminished market.

The report confirms that BT has moved very quickly to thwart the effects of losing its equipment mon-opoly, by selling equipment before the market was actually liberalised. Its position has been considerably strengthened by the long delays in the setting of technical standards and equipment approvals for

The study is particularly embarrassing for the Department of Trade and Industry which has been promoting liberalisation. PABXs and key systems account for 58 per cent of the British telephone attachment market worth £375m last year at manufacturers' prices. The Department recently tried to speed up the approvals process for PABXs being offered by 12 companies, in-cluding Ferranti-GTE, Northern Te-

lecom, NEC and Rolm. The report does show that liberalisation has been slightly more effective in the supply of telephones. BT still has an 82 per cent share, but this is expected to fall to 59 per cent in the year ending March 1988. The UK Telephone Attachment Market, £2,950, from MZA, 36 The Green, Marlborough, Wiltshire.

## A Wellcome curiosity for the stock market

nas one of the least public profiles.

This is largely because of its unusual structure – an essentially charitable organisation, owned by a trust which distributes all the profits derived from its ownership to medical research.

Now, however, the Wellcome discovered the two presently best-selling drugs in the world – Smith Kline's Tagamet and ICTs Inderal – has just recently left the company. The range of products is wide, though the great bulk of sales is in ethical drugs (the rest consists of court the courter devices animal).

the Foundation in a London Stock cides). The therapeutic areas most which can be charged for drugs, edges). The therapeutic areas most and U.S. pharmaceutical companies emphasised by the company are an are typically the world's most profect on the way the company itself is run. The Trust has simply decided that to carry on its charitable latterly – the anti-heroes drug 72. programme it would like to spread rax. its sources of income, using the pro-

companies, which tread a curious against Glaxo's 18 per cent and Beeline hetween jackpot success and cham's 17 per cent.

which this week announced its in- dins won him a Nobel Prize is still in which Wellcome is among the tention to go public early next year, on the board. Sir James Black, who world's leaders - have never lived has one of the least public profiles. discovered the two presently best-up to their commercial promise of a

Now, however, the Wellcome over-the-counter drugs, animal Trust has announced its intention health products - through a new

Until recently, the profit record ceeds of the flotation to make in- has been less satisfactory. Figures from stockhrokers de Zoete & Be-The decision does, however, push van indicate that whereas Wellthe company into the linelight, not come's net return on capital in 1975 least because the stock market is was 22 per cent — comparing well curious to know what it is to be of- with Glaxo's 23 per cent and Bee-

failure, seldom are. Early guesses The relative lack of profitability of £1.5bn for the whole company is not, perhaps, very difficult to ex-seem exaggerated. A figure of close plain. A hard-nosed attitude to prof-on £1bn, though, looks perfectly its does not sit easily with a structure of Wellcome's unique kind. Wellcome's reputation as a re- Some of the company's work has

AMONG the world's hig drug com-panies the Wellcome Foundation, work with Wellcome on prostaglan-chemical reactions in the body, and decade or so ago.

High aises

lenn .

But Wellcome does have one particularly strong commercial asset its long-standing position in the U.S. market, through its subsidiary Burroughs Wellcome. The U.S. market is perhaps the least regulated in

come has lately started to capi-talise. In the year to last August pre-tax profits for the group jumped by 46 per cent to £89.5m, on sales up 20 per cent at £806m. Sales in the U.S. alone jumped by 29 per cent. making up nearly half of the group

Wellcome chairman Mr Alfred fered. Wellcome is not easy to value cham's 22 per cent - by 1981 the fig. Shepperd says: The greater part of in market terms, pharmaceutical ure had slumped to 13 per cent, that was the introduction of Zovirax for a full year. The strength of the dollar helped, but wasn't nearly as important. (the anti-herpes drug) in the U.S.

And in the current year? Mr Shepperd will say nothing on likely profits, beyond saying that "we are expecting a comfortable increase." search outfit is beyond question. A had more to do with prestige than number of highly distinguished figures have been involved with the Prostaglandins, for instance—na
City of London analysts are pencilling in a figure for group pre-tax of £110-115m.

## Virgin Atlantic expects surplus

BY ANDREW FISHER

VIRGIN ATLANTIC, the cutprice transatlantic airline, is looking for a second large aircraft to lease during the peak summer months and expects to make a "considerable profit" in its first full financial year to Jannary 31, 1986, said Mr Richard Branson, the chairman.

The airline began operation last June, Mr Branson said it roughly broke even in the first six months. It operates a Boeing 747, charging £159 one-way from Gatwick Airport in the UK to Newark, in the U.S., and £119 for a return booked on the day of de-

Mr Branson said that Virgin, which has carried 270,000 pas-sengers since it was set up, hoped

to lease another 747 or a DC10 for two or three days a week from. next month. "We are pretty well sold out over the next four months to New York."

But the airline, part of the Virgin records and entertainments group, did not intend to go for major growth, he added. "Our expansion in the airline business will be slow, one step at a time." The airline had decided to car-

ry on for another 12 months from June, 1985, after the progress made in its first year. "We put our toe in the water and found the water was warm." Virgin still had the option of pulling out of any routes that did not make sense, he added.

It runs a daily £29 feeder ser-

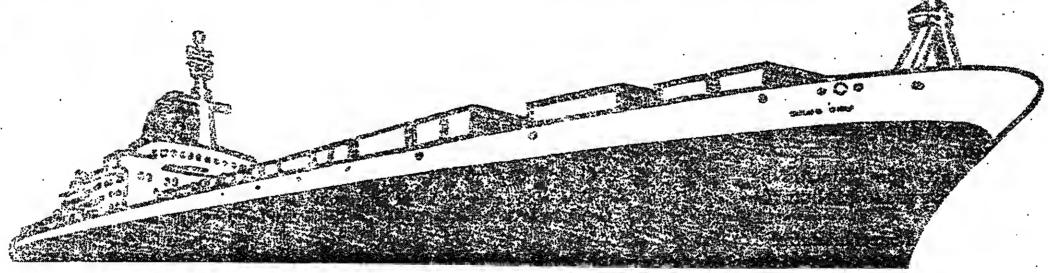
vice to Masstricht in Holland and can opt out at a week's no-tice, if necessary. Virgin is also considering a similar service to Dublin, with the same get-out

During the quiet winter months, Virgin reduced its daily North American service to two flights weekly, thus cutting its losses and flying its aircraft 85 per cent full instead of only 30 per cent full. The service is now daily again.

Mr Branson reckoned demand

across the Atlantic this year would be heavy. "It will be a wonderful summer on the North' Atlantic." The airline had increased ticket sales to Americans and was now much better known

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#### **UK NEWS**

## Higher spending raises optimism in retail trade

BY ROBIN PAULEY.

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Figures published by the Trade and industry Department yester-day show that the volume of retail tered only by last December's

The provisional estimate shows look for traders over the next few that sales rose by 0.5 per cent in months remains buoyant. The high level of sales in the three months to April sectors, food and non-food. remained at about the same level as the previous three months and was 4 per cent higher than in the same period last year.

This year's figures are exceptiona very sharp shump in January, but last night: "The whole of retailing is this now seems to have been due to a combination of overspending at Rumbelows, the electrical goods

CONSUMERS braved the excep- since February and by last month tionally bad spring weather, ig-nored the rise in mortgage interest suring the volume of retail sales rates and continued to spend their was back up to 114.4 (1980 = 100) money in Britain's retail stores at a very brisk rate throughout April. record 115.6 in December and 110.7

in April last year.
The good April figures confirm the underlying trend indicated in sales rose last month to a level bet- other surveys, notably the CBI-Financial Times survey of retail trades, which suggests that the out-

> Another indicator of sustained consumer spending is the continuing high levels of credit finance and bank lending to individuals.

Lisa Wood writes: The Retail ally good news for retailers. After Consortium, which represents the the Christmas boom sales suffered majority of Britain's retailers said

a combination of overspending at Christmas followed by freezing January weather and a 2 percentage areas had been small audio units point rise in interest rates rather and personal stereo sets, while the than any reversal of the underlying John Lewis department store said propensity to spend. sales of home furnishing g
Spending has been back on track improved by 22.7 per cent. sales of home furnishing goods had

NUM EXECUTIVE VOTES TO DISMISS NOTTS OFFICIAL

to the union."

## Breakaway nears in pit union

BY PHILIP BASSETT, LABOUR CORRESPONDENT

PROSPECTS of a breakaway union in the mining industry grew significantly closer yesterday when leaders of the Notional Union of Mineworkers (NUM) voted to dismiss a leading official of the union's Nottingbamshire area, which worked virtually throughout the recent

year-long pit strike.
The NUM's action against Mr Roy Lynk, Notts acting general secretary, came as miners in the area voted to resist rule changes seen as reducing the area's autonomy, in the clear knowledge that they were sanctioning a breakaway.

In the absence of Mr Arthur Scargill, NUM president, who was in London for a meeting with the Na-tional Coal Board (NCB) oo details of a new colliery review procedure, the unioo's national executive at a special meeting in Sheffield, York-shire, considered charges against Mr Lynk and Mr David Prendergast, the Notts area pensioo secretary. They together led the working

miners during the strike.

The executive voted by 10 votes to nine to recommend that the union's annual conference to six weeks' time should dismiss Mr Lynk, suspending him from office for three months from the date of the conference in lieu of his period of notice. By 18 votes to one, the executive decided only to reprimand

The vote against Mr Lynk would

probably have been larger at a nor- which he had been voted by NUM mal executive meeting, since left-wingers such as Mr Oweo Briscoe ference in July.

from Yorkshire and Mr Emlyn Wil-He indicated that, when his periliams from South Wales were oot od of threatened suspensioo expresent. Mr Scargill's absence left pired, he would remain in his post Mr Mick McGahey, the union's by simply continuing to deduct his vice-president, to chair the meeting, salary, roughly £17,500, from area depriving him of a vote. Mr Lynk said last night, io a bit- to national level.

ter ettack on Mr Ray Chadburn, his Both officials insisted publicly own area president, that if he had that the decision did not necessarily attended the meeting the vote bring the breakaway union any would have been tied. There is no nearer. But they said that Notts guarantee, however, that Mr Chad-mioers and other union areas to burn would have supported Mr which they are allied, including Lynk. South Derbyshire, Leicestershire Four specific charges of miscon- and the union's white-collar (conduct were levied against the two of-ficials, including that they refused to implement rule changes decided Privately it is recognised in the

by the national union. But in a let-ter from the union they were due to receive at their homes today, the NUM says that the recommenda-July, it will further divide the union. tion has been made because the ex- A bigh court writ seeking exteoecutive has "no feith in your loyalty sive details of voting in the re-run election for the general secretary of Formally, the union refused to the Transport and General Workdiscuss the issue after the executive ers' Union - and in last year's dismeeting, with Mr McGahey, saying puted election - was served on the in e statement that it was a private union last night by one of its memmatter discussing confidential busi- bers.

ness which would not be disclosed.

Mr Lynk described the decision injunction stopping the union from to dismiss him as "childish" and declaring a winner until details of "spoilt." He made it clear both that he would be taking up his seet on been made known to members at the union's national executive - to branch levels.

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## Volvo importer sees pre-tax profits slip

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ports Volvo cars to Britain, suffered from the extremely competitive conditions in the UK market last year and its pre-tax profit fell by 15 per cent, from £27.75m to £23.54m.

The company, however, main-tained its dividend to the parent group, Lex Service, at £13m.
Volvo Concessionaires' net profit
was nearly unchanged at £13.15m

for 1984 against £13.682m the previous year. In 1983 there was an extraordinary charge of £1.979m while last year there was an ex-traordinary credit of £1m.

The group's turnover rose from £314.4m to £322m last year. The directors point out that the UK new car market last year was even more competitive than in 1983, with the major manufacturers fighting to achieve market share objectives through intense promo-

tional activities and high discounting at the retail level."

Concessionaires, they say, refused to become embroiled in the worst excesses of the "disorderly market" to prevent Volvo used car values falling and thus to protect existing customers.

As e result its new car registrations fell by 3.6 per cent from the re-

VOLVO Concessionaires, which im- cord 1983 level to 59,072, to give marginally lower market share of 3.38 per ceot against 3.42 per ceot in

> Mr Peter Turnbull, the joint chairman whose salary for 1984 from Concessionaires was £71,000, compared with an annual rate of £62,400 for the five mooths be was in office in 1983, has forecast that car sales this year will be 61,000.

The accounts show that Transfleet Services - a truck contract hire company which is 50 per cent owned by Lex Service and 50 per cent by the Lombard North Central finance bouse, but is listed as a Volvo Concessionaires subsidiary - suffered a loss of £1,373m last year against a profit of £1.5m in 1983.

Lex Vehicle Leasing, another Concessionaires subsidiary, increased its profit from £923,000 in 1983 to £2.951m last year.

Concessionaires will spend £11m during the coming two years on computer systems development and the expansion of its two import cen-tres (Ipswich, Sufiolk, and Immingham, Humberside), its dealer training centre and the head office at High Wycombe, Buckingbam-shire.

#### Ford's van and truck output slips by 7%

BY OUR MOTOR INDUSTRY CORRESPONDENT

FORD'S POSITION as leading com-mercial vehicle producer in the UK is under threat from BL, the state-

In the first quarter of 1985 Ford's output fell by 7 per cent, or 2,095 vehicles, compared with the same months of 1984, to 27,831. Meanwhile, BL's companies all improved production from the first quarter of last year, and the group total moved ahead by 11.3 per cent, or 3.441 vehicles, to 24,034.

BL lost commercial vehicle production leadership to Ford in 1978. This year the state-owned company has the benefit of new Austin Rover vans and Land Rover four-wheel-drive vehicles as well as an improved Sherpa van range from Freight Rover at the lighter end of

Leyland, the heavy vehicle producer, is beginning to feel the positive effects on output of the Roadrunner, its oew entrant in the 6 to 10 tonnes sector, which accounts for one-third of demand in Britain for trucks of more than 3.5 tonnes

gross weight.
In contrast, Ford's Cargo medium and heavy truck range has been losing market share in the UK, while the Transit van, for many years Britain's best-selling commercial vehicle, is now 21 years old and is expected to be replaced next year. The changeover to e new model will inevitably cut back Ford's van out-

In volume terms, the major contribution to BL's recovery in commercial vehicle output in the first quarter came from Austin Rover. The new Maestro van, launched last October to replace the old Morris van which was based on the Ital car, has boosted the Austin Rover total substantially by 938 vehicles,

or 15.1 per cent. However, Leyland Vehicles, the heavy truck and bus subsidiary, showed the biggest percentage gain with output up by 17.7 per cent or 602 vehicles to 3,996 in the quarter.

General Motors, the Bedford group, while well below BL and Ford so far this year, eventually might be a serious contender for top place in the UK production

Output of its new Midi van, based on an Isuzu vehicle and incorporatUK COMMERCIAL VEHICLE PRODUCTION (First Querter)

7,139 7,558 5,331 3,996 24,034 27,634 14,922 27 587 158 212 1,347 422 62 6,201 7,106 4,002 3,304 21,583 15,756 79 436 212 246 101 1,027 399 77 69,852 69,740 Source: SMMT Monthly State

ing Japanese engine and gearbox. ing Japanese engine and gearous, is only just beginning to pick up, and GM hopes to produce it at an annual rate of 20,000.

GM is also considering producing

at the Bedford van plant a micro van derived from a Suzuki vehicle GM bas shareholdings io both Suzuki and Isuzu and by building the vans in Britain can put them into Continental markets such as France and Italy so far closed to Japanese commercial vehicles.

Reports from Tokyo suggest thet the micro van in which GM is interested is the "Every," which in Japan is equipped with an engine of only 550cc, but which would have an 800cc unit in the UK.

According to the statistics from the Society of Motor Manufacturers and Traders' Monthly Statistical Review, most of the UK-based beavy truck producers increased output in the first quarter compared with the same period of 1984. The exception was Foden, owned by Paccar of the U.S., with production down by 54 vehicles or 25.5 per cent

ERF showed the biggest percentage gain, by 37 per cent to 597 trucks, closely followed by Renault Truck Industries, the Renault Dodge concern, with a jump of 31 per cent to 1,347 vehicles.

Total commercial vehicle output in the UK remains exceptionally depressed because of lack of export demand. In the first quarter produc-tion was down by 112 vehicles or 0.16 per cent from the 1984 level – and 1984 output proved to be the

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THE 1985 TL.

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#### **UK NEWS**

PRICE WATERHOUSE INVESTIGATES £130m LOSSES OF LLOYD'S SYNDICATE

## 'Muddle' alleged at Minet agency

BY JOHN MOORE, CITY CORRESPONDENT

PRICE WATERHOUSE, the ac- the group's PCW agency, and their is feared that the members' reinsurcountancy firm, is uncovering an associates. The money was used for accounting muddle which may have the two men's personal benefit. contributed to the worsening probems of the Lloyd's underwriting members whose affairs are man aged by interests of Minet Holdings, the insurance broker.

New details were emerging yesterday about the events which led up to the £130m losses now falling

on the Lloyd's members. So far, the official reason for the losses given by Minet's Richard Beckett underwriting agency is that from product liability, pollution, medical malpractice, personal inju-ry business and asbestosis claims, all largely from U.S. clients. These ed to a "dramatic deterioration" in the underwriting results.

Price Waterhouse is acting for a group of concerned underwriting ers who have formed a steer ing committee to protect their interests. It has begun to unearth an ac-counting muddle within the agency which has had a dramatic effect on

The problems now being discovered are linked to the troubles which surfaced in late 1982 when it was discovered by Minet executives thet money had been misappropriated from the underwriting funds of the Lloyd's members by other se-

By 1984 Minet had established that nearly £40m had disappeared from the members' funds to interests of Mr Peter Dixon and Mr Peter Cameron-Webb.

Minet discovered that the money had been channelled out of the group's syndicates under the guise of reinsurance, a common and respectable device in the insurance world to lay off risks.

A part of the members' business was reinsured via a company in ness was theo channelled to companies in Gibraltar which it has since transpired were controlled by interests of Mr Cameron-Webb and Mr Dixon. Blanket reinsurance arbers whose affairs were managed by the Minet's underwriting agen-

When Minet identified the full extent of the troubles, it sought to reg-ularise the position and cancelled reinsurance programmes arranged hy Mr Cameron-Webh and Mr Dix-

Minet managed to recover £25m of the missing money and, together with Alexander & Alexander, anden interests had been used to syphon off the money, put up another £13.7m to make good the loss to the members. In all, a near £40m compensation offer was made to the members for their missing funds.

Now Price Waterhouse is probing the extent to which the reinsurance programme arranged by Mr Dixon of the syndicate. At the moment, it

ance support may have been knocked away in Minet's attempts to unscramble the mess.

There are other matters which Price Waterhouse is examining. Last year, when Minet discovered the full amount of the funds which had gone missing, it indicated that trading losses of roughly the same amount, nearly £40m, had also arisen. Minet's compensation proved timely, and the members used the money to pay their trading losses.

In return for accepting the mon-ey, the members had to agree to assign away their legal rights to sue Minet or anybody else in connection with the recovery of further funds and the scandal to a joint company owned by Minet and Alex-

"If I had known then what we know now," said one underwriting member, "I would not have signed that agreement."

The members are upset that they took up the offer in the expectation that there were no further losses of significance in the pipeline. Since £1.5m to pursue legal action against then Minet's agency, which is now called the Richard Beckett Underwriting Agency, has changed the to inject up to £3.8m into the fund basis of accounting for future losses and is taking a more prudent view of future insurance claims.

visions are felt to be necessary and the results of the syndicates in other claims of £17m are in the which the Beckett underwriting

Graham White, managing director. of the agency, had been inadequate.

why the reinsurance program had limits on the amount which could be paid out to the members. when the type of business rein-sured called for the most extensive laying off of risks that could be ar-

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Other problems have been discovered. All Lloyd's members can that arise in the market under per sonal stop-loss insurance. Some members of the Minet syndica did take out personal stop loss, but some found that this was arrang with a tiny syndicate formed of Mr Cameron-Wabb and his associates.

The wording of their policies was so tightly drawn that they may be unlikely to recover any money in the form of claims.

writing members, whose honorary chairman is Lord Goodman, is at tempting to raise a fighting fund of various parties. Members are put ting up the cash and are prepared in order to pursue possible litiga-

Mr Ian Hay Davison, Lloyd's As a result, a further £80m of pro-chief executive, said yesterday that lutely dreadful." But Lloyd's is not intending to provide financial sup-

## Financier faces £300m legal claims

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

egal claims against international financier Mr Alex Herbage and offwith him, the High Court in London was told yesterday.

compulsory winding-up of one of the companies, Caprimex, based in the Cayman Islands, oo a petition backed by investors claiming to be owed more than £13m. The petition was brought by an American couple, Mr Lee H. Boyer and his wife who are creditors for

They were supported by 219 other investors claiming to be owed a to-

MORE THAN £300m is involved in tal of £12.792m about 300,000 Dutch guilders and about 170,000 Swiss

> sel for Mr and Mrs Boyer, told Mr Justice Mervyn Davies that Caprimex was an investment agent for personal investors, for whom it purported to open accounts for money to be invested through investment

A substantial number of inves

tors had given the company notice of wishing to close their accounts, but Caprimex had prevaricated and delayed or paid with cheques that had bounced. the money had gone to Trier Invest- £7.796m. ments, another Herbage company, which had been put into liquidation in the Netherlands, and then either to Mr Herbage personally or to another of his companies, Sutman International, registered in the Cay-

Mr Winegarten said there was an international police investigation into Mr Herbage's affairs, Last Friday the provisional liquidator of Caprimex, a Southampton accoun-

Investigations had revealed that national, based on a claim for Mr John Donnelly, for Caprimex.

asked for a 28-day adjournment to enable the company's solicitors to file evidence opposing the Boyers' petition. The petition, he said, was only one of many legal matters concerning Mr Herbage and Caprimex - one of which involved a sum of

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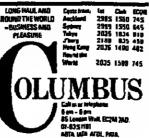


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days inclusive.
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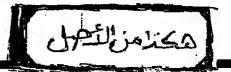
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## FINANCIAL TIMES SURVEY

Wednesday May 15 1985



# Brewing

Liberalisation of the licensing laws in England and Wales is needed, the brewers argue, if they are to compete fully with other leisure outlets. Large sums are already being spent on the renovation of pubs to widen their appeal.

as Mr Simonds-Gooding drily sald have not been brilliant in

the past at catering and at

moving into new consumer-orientated areas. For the past

few years has seen a mini-revolution in the nation's consumer habits which has confronted the industry with problems to be solved and at the same time a whole range of

opportunities to be seized. These

## The customer calls the tune

BY LISA WOOD

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THE CRUCIAL issue for the industry at present is the pro-posed change in licensing laws," says Mr Tony Simonds-Gooding, managing director of Whit-bread, Britain's third largest

Mr Simonds-Gooding, chairman of the Flexi-Law Action Group, an umbrella organisa-tion campaigning for fierible public hours, explains the importance of such a change thus: "H more flexible hours are introduced our major assets
—the pubs—will be freed and
it could revolutionise the business."

More flexible licensing laws, witch could be based on the Scottish model introduced eight years ago with no apparent harmful effects, are being examined by the Government in a wider review which includes the liberalisation of restrictions on shop hours and Sunday trad-

British publicans have for some time been experimenting with opening their pubs outside the official licensing hours, one publican in the Midlands doing a flourishing trade serving a local factory with take-out breakfasts. But the industry

for around 17 per cent of the total drinks market, four times that of a decade ago.

• Greater drinking within the home, which is providing continued upward sales in the takehome market, now accounting for around 15 per cent of the whole beer market.

• Browner consumer speciding believes a total re-vamping of licence laws would give the industry a much needed boost Buoyant consumer spending being directed into eating-out, in its total retailing efforts. Not that more flexible hours are seen as a panacea for falling

with women gaining greater confidence in using their spendbeer consumption. Such a move would not necessarily lead to higher volume consumption of beer, according to Edinburghbased stockbrokers, Wood Mackenzie. Rather, as it pointed out in a recent report on the industry: "It represents a retailing opportunity rather than a chance to sell more beer."

In power to demand improved facilities, One recent survey in the City of London estimated that around 37 per cent of drinkers at lunchtime were women.

The brewers, whose ranks reage from Bass, with 7,400 pubs to smaller regionally-based brewers such as Shepherd Neame, with 243 tied outlets in Kent, have responded to ing power to demand improved facilities. One recent survey in

in Kent, have responded to these changed market condi-tions with a variety of strate-Grasping at this nettle of retailing is the major pre-occupation of the brewers, who,

Pub renovation

• A switch in capital invest-ment from new plant into pub renovation with many of the major brewers investing beavily in in-house restaurants such as Whithread with its Pizza Hut units. Beefeater, Roast Inns and Henekeys. Catering now accounts for some 20 per cent of turnover in many London

 Beer sales have failen by around 12 per cent since 1979, the peak volume year. UK beer · A cutback in beer production capacity with the closure of some eight breweries, the most recent being the closure of the Norwich brewery by Watney, Mann and Truman, the Grand production in 1984 was 36.7m barrels, a decline of 0.4 per cent on 1983's level, and there are tew signs that demand will pick up in the near future. Metropolitan subsidiary. Fears have recently been voiced over

possible cuts, with a loss of jobs, at Matthew Brown, the Black-burn-based brewer which is the subject of a contested takenver bid by Scottish and Newcastle now being scrutinised by the Monopolies and Mergers Commission inquiry. Increased demand by con-sumers for a broader range of drinks. Wine sales today account for around 17 per, cent of the

The development of take-bome sales with extension, par-ticularly by major brewers such as Bass and Whitbread of off-licence chains.

The active pursuit of other businesses in the general leisure market. The major brewers, it is now estimated, earn only 49 per cent of trad-ing profit from brewing and pub retailing with companies such as Guinness looking to boost revenue in the U.S.

The buge investment pouring

into public bouses is the most conspicuous evidence of bow the brewers are trying to woo customers back into their pubs, some 47,000 of which are brewery-owned.

brewery-owned.

In the next three years brewers are forecast to speed some £2hn on their retail estates. Mr Ewart Boddington, chairman of the Brewers' Society, in announcing the investment, some 80 per cent of the total industry spend, said:
"These figures illustrate very clearly the emphasis now being placed on pub improvements and provide abundant evidence of the brewing industry's determination to restore the pub to popularity—and to profitability." Mr Boddington made a strong qualification however in detail-ing bow the pub must compete for trade, "A reform of licen-sing laws," be said "is essential if many pubs are not to slip slowly into oblivion." Many have, according to a



The futuristic interior of the Lord Darnley in Edinburgh, one of Scottish & Newcastle's 295 Welcome Inns in

UK	beer mark	cet			
	Total production bulk barrels (m)	Ales & stouts	Lager	Lager as a % of market	Yron- yr. vol. change %
1979	41.19	29,20	11.99	29.1	+10
1980	39.61	27.45	12.16	30.7	+ 1
1981	37.71	26.02	11.69	31.0	- 4
1982	36.53	24.48	12.65	33.0	+ 3
1983	36.86	25.63	13.23	35.9	+10

survey by the Hotel and Catering Board which suggested that some 5,500 pubs closed during the recession. Unemploy-ment has struck bard in areas of traditional heavy consumption of beer.

In seeking to improve the return on these pub assets and cultivate growth in non-beer related areas brewers have en-listed market researchers and professional design teams and hired a new breed of managers drawn from more general retailing backgrounds.
The result has been

flowering of pub design and in many cases, strong market segmentation with cocktail bars, for example, boosting bars, for example, boosing efforts to sell more expensive drinks. Host, the Grand Metropolitan subsidiary which looks after the group's managed bouses, is among the most radical in this area with its 14-odd "themed" pubs which are being introduced throughout all the managed estate.

gain momentum, although the City wrily comments that Bass, with impressive increases in impressive increases in with impressive increases in retailing profits has not been particularly visible in pioneering "theme" outlets but rather allowed its local management to develop outlets in the mainstream of pub activity. "So far this policy bas proved the most successful of the brewers," says Wood Mackenzie. Wood Mackenzie.

For the brewers finding new concepts in retailing that will enable their premises to compete with other leisure outlets while retaining their traditional appeal is tricky. Nor do pub-licans claim they have developed the existing market to its full extent. "There is still a lot to be done with the basic pub, widening its appeal to all sections of the community," says Mr Mike Foster, marketing director of Courage, Imperial group subsidiary.

bread, Courage, Scottish & Against the heavily promoted national brands," says Mr Peter politan's Watney Coombe and Reid have enlisted new entre-

Richard Branson, president of the Virgin Records empire and Virgin Atlantic Airways last November announced a £2m investment in a chain of pubs in London on a tong lease from Watney Coombe Reid. "We were wooed by several brewers," said Mr Branson in announcing the first new outlet, the Princess Victoria.

It is a development in the industry that many see as accelerating as brewers look for new ideas. It is all part of what Mr Foster calls the forging of new partnerships between brewer and tenant. Wooing the consumer is forcing other fundamental changes on the industry. This is illustrated most sharply in

the lager market which has grown from around 29 per cent of the beer market in 1979 to nearly 39 per cent in 1984 and is tipped to reach 50 per cent by the end of the decade. The repercussions of this growth bave been most severe

the ale market have tradi-tionally concentrated on their real ales. Attempts to introduce their own lagers have been often unsuccessful. "We devoted a considerable

14-odd "themed" pubs which are being introduced throughout all the managed estate.

It is a trend many expect to Bass, Allied Breweries, White stand up in the market place time and money to the promo-tion of a house draught lager, Norseman, but we could not

brewer.

The drive to become consumer orientated and face up to the strong competition from the national brands has led some regional brewers to reconside their whole brewing strategy. Leicester - based Everards Leicester - based Everards
Brewery bas primed its own
brewing output and is looking
to market more and more "guest" beers, that is other brewers' brands.
"The total market for beer

is not going to increase in the foreseeable future," says Mr Anthony Morse, managing direc-Anthony Morse, managing director of Everards. "We have to make money by selling other things. We have just bought Rutland Vintners, a local wine and spirits company. We sim to sell the public what they want, be that wine, spirits or cider." This form of consumer

orientation is not, however, generally favoured by regional brewers although many are copying the national brewers in copying the national spirits dis-purchasing wine and spirits distribution companies. among the regional brewers who, with about 15 per cent of logically lead to some brewers totally closing their brewing capacity," said Mr John Duns-more, of stockbrokers, Wood Mackenzie,

"Arguably those who should do that are the regional brewers who are not strong on lager. But the culture, that is family ownerships, outweighs the econ

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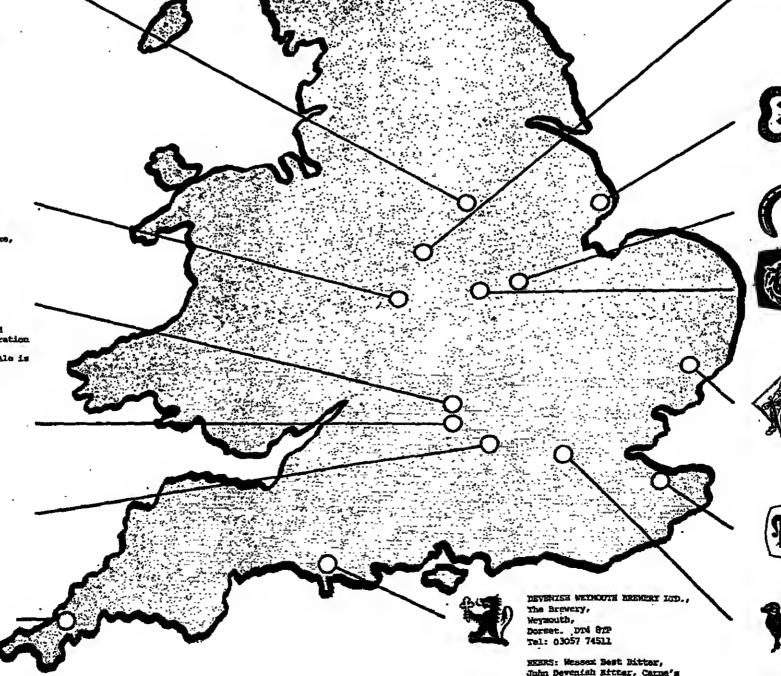
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Lisa Wood on the big brewers' need to spot changing trends among consumers

## Retailing opportunities of pubs explored

"BREWERS DO not change public tastes," said Sir Detrick of the huoyant lager market. Holden Brown, chairman of Allied Lyons. "They observe what ie happening in the market between the brewers, Bass, with some 7,393 pubs (compared to the change of the brewers). ket and respond to that change and put their money where they

In the last few years Britain's
"big six" brewers — Bass,
Allied Brewerles, Grand Metropolitan, Whithread, Courage
and Scottish and Newcastla
have shown thanselves to be

have shown thamselves to be more adroit in adapting to change than some of their regionally-based brethren. On the other hand, beer market share lost to regional companies appears to be com-ing back to tha major companies through sensitive ale policies and secondly, they have benefited from the explosion of interest in lager with the

of interest in lager with the important nationally-promoted brands dominating the market. The "big six," in the face of static total beer sales have also plunged into diversifications. A recent report from Wood Mackenzie, the Edinburgh-based stockbrokers estimates that currently only 49 per cent of trading profit of the six major companies comes from brewing and puhretalling. retailing.
Continued diversification is

likely to continue apace while, at the same time, companies explore the retailing opportunities offered by their public houses. For it is the major companies when are forging thank most approximate in ahead most aggressively in looking for profit growth in non-beer related activities in non-beer the pub.

If retailing is the buzz word of the whole industry there are, however, marked differences between tha brewers strategies in the retailing sector.



Bass, the largest brewer with about 21 per cent of the total

7,393 pubs (compared with over 8,800 in 1977) did not go as far along the road to centralisation as other brewers. Local managements have been successfully allowed to develop outlats in the mainstream of pub activity and there has not been the

The company's acquisition policy has been more conservative than those of others with the laisure division, contributthe laisure division, contributing 16 per cent of trading profit, including Crest Hotels, Coral bingo and betting, Pontin's holiday camps and most recently, a 25 per cent stake in Horizon, the travel company. The group has strong representation in the wine and spirits division with nearly 1,000 off-licences trading under Augustus Barnett and Galleon Wine.



of Allied Lyons, the food, drinks and retailing group is Britain's second largest hrewer with about 13.5 per cent of tha market, and announced a major management shake-op in January in a drive for sales. The re-organisation, said Sir Derrick, chairman of Allied Lyons, did not just involve a change in personnel but a change in structure

Five directors left the board and three new directors were appointed from the principal operating companies. This emphasis on the operating company, said Sir Derrick, was a further step towards devolution of responsibility.

Allied has lost market share in the last decade, a key prob-lem being tha group's lager portfolio which is led by Skol. However, thera are indications that the launch of Castlemaine beer market has been increasing However, there are indications its share partly because of the success of it's lager brands with Cariling Black Label, the market Launched six months ago in the

Central TV area it is under-stood that the hrand, brewed under licence, has won a six per cent lager market share with very little substitution from the company's other lager products. Grand Metropolitan's brewing subsidiary, Watney, Mann and Truman owns some 6.500 public houses and enjoys around an 11 per cent share of the heer lager success being Foster's which quickly won market share after its launch two years ago. The group's managed houses, operated by the Host Group, have pioneered many of the retailing changes in the industry with 14 "themed" designs for pubs.

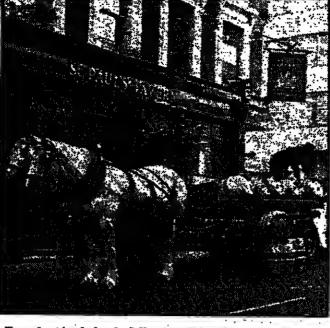
#### GRAND **METROPOLITAN**

Host has been the most aggressive in the industry in aggressive in the industry in segmenting its market with varying emphasis on young people, women, families, facilities and food. The group has also been among the first to experiment—with its TAKES outlets—with convenience shopping within off-licences.

Scottish & Newcastle, with some 500 pubs is more heavily dependent on the free trade than most of its major competitors. Attempts however to extend its tied estate, last year with a bid for J. Cameron, a Hartlepool-based brewer and most recently a £98m hid for Matthew Brown, the Blackburnbased brewer have been subject to referrals to the Monopolies



Mr Patrick Townsend, the Matthew Brown chairman re-cently said: "They (S & N) should address the real issue which for them is one of diversification." S & N however has said it wants to remedy its dependence on the free trade before further diversification. S & N's existing non-brewing interests include the successful Thistle chain of hotels.



For short-hand local deliveries Shire horses are still customary sight. Above are two of Whitbread Brewery's 16 working Shire horses which deliver to pubs within a five mile radius of their brewery in Chiswell Street, London. In addition to their dalivery work six of them pull the Lord Mayor's Coach every November in the Lord Mayor's Parade. And at coronations or jubilee celebrations Whitbread horses pull the oldest coach in the country which carries the Speaker of the House of Commons



Whitbread, with around 12 per cent of the beer market and some 6,560 pubs has been among the leaders in developing retail opportunities in its pul estate and in new restaurant including discotheques. Non-heer and pub related activities now account for about 40 per cent of group profits.

A key strategy for the group has been expansion in the U.S. where acquisitions include Julins Wile, a wines and spirits distributor. This year however the \$100m acquisition of Buckingham Corporation, a drinks distributor, from Beatrice Foods has led to a \$225m (£180m) compensation claim. Whitbread is seeking the damages through two lawsuits over the termination of the distriby Buckingham at the time of

the acquisition.

apparent attempt to help the company fight-off a bid from S & N. It is argued by some that the investigation by the Mono-polies and Mergers Commission could ecrutinise the workings of the investment company, part of the Whitbread group, which has also in the past come to the aid of small breweries fighting-off take-over bids.



Courage, with about nine per cent of the beer market is part of the Imperial Group's leisure group. Courage concentrates on production and related activities such as the take-home trade while Imperial Leisure and Re-tailing looks after the managed houses, a re-organisation which the company argues is working

Courage has taken some time to get its lager portfolio into bution rights to Mouton Cadet place with a priority being to wines and Finlandia Vodka in gain trade confidence for the U.S. which had been held Hofmeister and could have a new product up its sleeve, Courage believes that it has The Whitbread Investment done more than most brewers to address the problems of overholding in Matthew Brown in an James Buchan gives the City's view of the big six

## Lager revives interest

been in favour of late. The FT-Actuaries Brewers and Dis-tillers Index, tho best measure of the brewers' stock market performance, is at its lowest level relative to the market

The recent duliness has more to do with eigarettes than beer —or rather worries about the U.S. eigarette operations of Grand Metropolitan, the heavy weight in the sector. But even in the present rather weak built market, the traditional defensive virtues of the brewers, as companies who can maintain earnings in a recession, are at a discount.

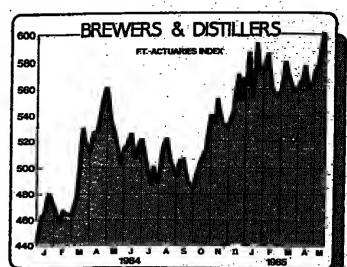
There has been sporadic tremendous return to favour in the City since its purchase of Neighbourhood Stores at the end of last year. The share has been under a cloud for years, shadowed by memories of headlong diversification in the 1970s; but the City has now decided that under Mr Ernest Saunders the group has a coherent strategy based on health, retailing and publishing beside the famous stout.

The hostile bid for Matthew Brown, the Blackburn brewer, from Scottish & Newcastle gave a fillip to the regionals in March. But the bid has since been referred to the Monopolies Commission, the Matthew Brown share price has fallen back and even S & N is finding the market heavy going.

S & N is in a strange position, boxed between the majors and the regional brewers, with excessive exposure to the free and take-home trade and enjoying only a small tied estate. S & N hadly needs an acquisition to turn its good profit recovery of the last couple of years into growth. But this is S & N's second run-in with the commission since its agreed offer for J. W. Cameron of Hardepool last year and the City fears that a second failure might lead S & N into something desperate.

Curiously, the outlook for the brewers as a whole is not too bad. While ale drinking is still on the way down, and there may be more breweries to close after Whitbread's at Luton and Northern Foods at Hull, there

is good growth in lager. Consumer spending is exincrease this year, which should



mean trading up to higher valua mean trading up to migner valua wines as well as lager; and though the brewers continue to be hard hit by high unemploy-ment, at least they can, this year, recoup some of the volume lost during the mineworkers'

loosening of licensing hours should turn the brewers' valuable propositions.

For the moment, the City is ing quite extraordinary profits out of ale.

distant and blurred. Allied's interim results this month will show whether a better perform-ance by Castlemaine lager can remove the City's prejudice against its brands.

the fruits of the industry diversification that began in the 1970s and comprises hotels, leisure and expansion in the

ear, recoup some of the volume
ost during the mineworkers has been a sheaf of stocktrike.

In the longer term, any ing GrandMet. The stock looks cheap and brokers would not be doing their job if they did not look beyond what ere bound to be poor interim results this month. But though the UK for the moment, the Chy is fixed on the short-term possionities of lager. This has merely ally profit from an attack on increased the attractions of their cost base, it is not at all Bass, which has not only a clear that Liggett—the generic highly successful lager in Carling Black Label but is squeez—will halt its free fall in a very market.

out of ale.

Allied-Lyons has suffered in chises from its U.S. drinks onsimoved to repair relations with badly affected sentiment. This the City which had become both is not because the brands were of overriding importance— though Mouton Cadet seemed to have a bright future—but more as evidence of a slipshod

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against its brands.

While the key to Allied's recovery lies in its brewing division, the group is even less of a "pure" brewer than any of the other majors, all of whom now derive less than half trading profits from beer and pubs. Leaving layer aside the trading profits from beer and depressed market; and the signs pubs. Leaving lager aside, the are that Bass will profit out of City naturally concentrates on any market improvement.

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## **UK** industry plans its own exhibition

BRITAIN'S brewing industry is to organise n new trade:
exhibition, Brew '87 in two
years' time. The industry
already has one trade show,
Brewex, organised by Industrial and Trade Fairs.
The Brew '87 show will be
held in London at Earls Court

while Brewex continues its usual venue at the NEC in The new exhibition is being

The new exhibition is being organised by Brewing Technology Services, a specially formed company jointly owned by all the major brewing institutions. These incinde the Allied Brewery Traders Association, representing suppliers and a formidable combination of the Incorporated Brewers Guild, the Institute of Brewing and some heavyweight financial support from the Brewers Society. the Brewers Society.

There has been some concern within the industry at the linking of Brewex with the bigger Pakex exhibition and at the overall cost.

The next Pakex (and therefore Pakex) is in 1986.

fore Brewex) is in 1986, only 11 mouths after the massive Interbrau Exhibition now held every four years in Munich. The cost of attending both so soon after each other could cripple many British companies, a problem which the brewing industry itself has decided to sidestep by holding its own Brew '87.

by holding its own Brew '87.

"The present pace of business and the rapid changes in the brewing industry's economics require a more direct control over every aspect of the exhibition's organisation," says Mr J Harrington Griffiths, executive director at Brewing Technology Services. nology Services.

"Brew '87 has this control in its board of directors who

are themselves directors of supplying companies, brewery companies and brewers and production managers.

"Almost half the available space is booked, it comes at the right time in relation to other hrewing exhibitions, and it has the support of every side of the industry who

will own it and run it for the

Also being held alongside Brew '87 are the beer competitions which have been a feature of Brewex. They are given an op-dated format and known as the Brewing industry International Awards. The first of these competitions are held in Burton-on-Trent this

Meanwhile, . "More than threequarters of the space at Brewex has now been allo-cated." says Terry Brandon speaking for Brewex, " and Brew '87 has not had any significant offers to the control significant effect as far as we can see in terms of the space

"It was at the overwhelm-ing request of 1983 exhibitors that we twinned Pakex with Brewex again because in 1983, 17,000 visitors on the Pakex side also camo to Brewex," he added



Brewex have also this exhibition. They will have a new "soft drinks centre" which "offers an ideal opportunity for soft drinks manufacturers to sell direct to brewers." Brewer has also proposed to attract has also managed to attract sponsorship from the National Association of Soft Drinks Manufacturers and also the Process Plant Association.

"Overseas companies have been particularly quick off the mark to reserve stands," says Mr Brandon. "We have a strong presence from the Netherlands and plenty of intarest from the whole of Europe and the U.S. Our reservations are well shead of schedule even compared with the record-breaking 1983. with the record-breaking 1983 event."

TTF are also optimistic about the response they got from visiting Intertran which took place in Munich earlier this month. "Interbrau has been highly successful for us in the way of promotion," Mr. Branden added.

"Brewer has now been going for over 100 years and really we're not too concerned about Brew '87, because we don't think it has made that much difference to us."

Elisabeth Baker

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# **TUBORG** LAGER



Probably the best lager in the world.

Lisa Wood looks at how the brewers in the regions are faring

## Tough competition for ale portfolios

"THE PREOCCUPATION of regional brewers is the strength of their ale brands," says Mr David Thompson, deputy manag-ing director of Wolverhampton and Dudley, the Woiverhamp-ton-based regional brewer. "The issue is whether or not they can sustain a strong position in the market for those brands with the coset of lager and the impor-tance of nationally promoted brands."

Mr Thompson continued: "All the independent regional brewers are having to work very hard to keep their beer brands moving in the face of this competition from the big nationally promoted brands."

promoted brands."

It is not just the tise in consumption of lager which is causing concern among regional brewers, one of whom, Matthew Brown, the Blackburn-based brawer has botty contested a takenwer had from Scottish & Newcastle, she result being an investigation by the Memonguies.

investigation by the Monopolies and Mergers Commission.
Several factors have contributed to the under-performance of regional brewers relative to the national companies making some, it is argued, vulnerable to takeover bids. These factors include:

The growth in the take-home trade—some 15 per cent of all beer sales—with only a few of the larger independent brewers having access to national distri-

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bution to their brands.

Competition the highly competitive free trade. High unemployment in creas of traditional heavy consump-tion of beer with the recent miners strike estimated to have cut more than 1 per cent off

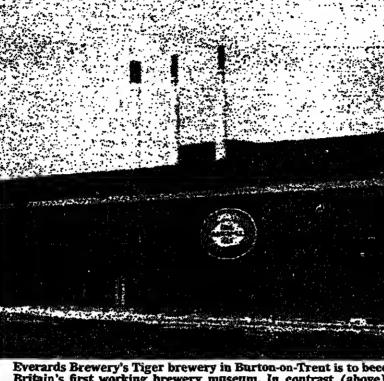
1984 production figures.

Less experience in the growing "added value" areas such

ing "added value" areas such as catering.

The so-called 80-odd regional brewers, many still family-controlled, built their reputations in the 1970s on the strength of their ale portfolios. Their fortunes blossomed in the 1970s when consumers rejected the big nationally-promoted alebrands, such as Watney Red and, inspired by CAMRA, the real ale pressure group, turned real ale pressure group, turned to traditional regional brands. Profitability of the regionals was also enhanced by the fact





Everards Brewery's Tiger brewery in Burton-on-Trent is to become Britain's first working brewery museum. In contrast (above) is Everards' new brewhouse near Leicester which was opened in

Whithread, Breweries, Courage, Scottisb & Newcastle and Watney Mann & Truman hit back and proved adept at developing ales with a regional identity with many, as in the case of Courage's John Smith's Yorkshire bitter, giving such brands national distribu-

As important a development was the upsurga in lager consumption—lager now accounting for around 39 per cent of the total market. It was a market stand market relative as market. ket trend most quickly spotted
—and some say, bolstered—by
the national companies who, it
is estimated, command more than 80 per cent of the lager market with their brands such as Carling Black Label, Tennent, Heineken, Skol and Foster's most of which are brewed under licence from

foreign producers. These brands command much of the estimated £48m spent market place," sald Mr Petar last year on promoting lager national brewers, smaller catchment areas meant lower distribution costs and prices were often substantially cheaper than national brands.

However, the big national brewers, whose ranks include

These brands command much of the estimated £48m spent market place," sald Mr Petar last year on promoting lager heyward, commercial director of Vaux, the Sunderland-based brewer.

Earlier this year, Vaux and Mr Thompson. "The capital that would be used to build a lager brewery can be used brand owned by Tuborg of more usefully elsewhere at present."

ley, tha largest independent brewer and Matthew Brown successfully developing their own lager products. For many of the other independent brewers lager poses a threat to their substantial investment in ale brands.

#### Questions

Mr Nell Scorse, of stock-brokers, Fielding, Newsom and Smith, says: "The rise in con-sumption of lager raises ques-tions about the longer-term future of regional companies whose businesses are so closely aligned with regional ales."

Some regional brewers have abandoned the brewing of their own lager. "We devoted e considerable amount of time and money to the promotion of Norseman, a house leger, but we could not stand up in the with market place," sald Mr Petar brew. Heyward, commercial director of Vaux, the Sunderland-based industrial

few, including Greenall Whit- the deal was that we would brew the lager, said Mr Heyward. "It is lunacy to buy-in e brand, even in bulk. We want to keep the mash-tun going or somebody else gets a slice of the cake.

Not all regional brewers however want to make a large capital investment in leger plant and many such as Mancbester-based Boddingtons' continue to buy in brands from the nationals thus potentially cutting profit margins and developing surplus capacity in their own plants as volume sales of leger increase.

Some brewers however argue that with a considerable excess capacity of lager in the market it makes sense et present to buy in brands. Wolverhampton and Dudley for example has a trading agreement with Harp, the Arthur Guinness subsidiary, with a long-term option to

Overcapacity, or the need to push volume of beer was a factor in the recent £42m acquisition by Mansfield Brew-ery of the Hull-based North Country Brewery. The deal, which went through after which went through after Northern Foods announced it was to close the subsidiary's brewing capacity, will double the number of Mansfield pubs in the East Midlands and Humberside to 400.

Mansfield, with investment of 236m in its retail outlets which include a health club has been

include a health club, has been among the most aggressive of the medium-sized regional brewers in addressing the meral problems facing the general industry.

The company's strategy bas included active investigation of the take-bome market with substantial investment in new plant at its Mandora soft drinks subsidiary. Much of the com-pany's trade however is directed towards the own label cut-throat grocery

It is not a market that the uncomfortable those people who company is shy of, bowever, ao not sit that market niche."

believing its new three-litre soft drinks PET pack is a unique product. Utilising the Mandora plant the company has also been eble to package its beers for the take-home trade, with the company recently signing an agreement with Carnation Foods, the Nestlé subsidiary, for national distri-bution of its brands.

Other regional brewers have bome trade, with some however preferring profit margins to volume growth, "It is a very difficult market," says Mr Timothy Redman, financial director of Greene King, the East Anglian brewer.

#### Low margins

"Many brewers are selling at very low mergins. If they seek volume growth they tend to be at the cheaper end which is beavily discounted. Our strategy is to sell a premium product, Abbott Ale. But the take-home trade only accounts for less than five per cent of our busi-

The free trade is also being explored with several regional brewers buying properties in the London market where puba can be a showcase for a com-pany's beers. But it is an expensiva business to acquire pre-mises in London and one which many brewers—such as Wolver hampton and Dudley—reject.

Vaux which has four free houses in London said that for many regional brewers "there is still a lot of credibility in being extremely good where they be

Such a management philo-sophy bas been wholeheartedly taken-up by companies such as Wolverhampton and Dudley wovernampton and Dudley and Matthew Brown, the Black-burn brewer, "Our expertise is in running pubs," said Mr Thompson. "We do not understand the London market and the own-label business does not into our strategy for strong brands."

Wolverhampton and Dudley does not have any theme pubs: "The thing that makes a pub successful is if it is in a good plant at its Mandora soft drinks location, has a good dicenses subsidiary. Much of the company's trade however is directed towards the own label business which, while providing level of capital investment. We reject the idea of a segmentation the cut-throat grocery tion of the consumer market because you exclude and make

'fruits' of our labour work forz

If you are in Brewing you will know the initials JPM -- Europe's leading independent manufacturer of Gaming and Amusement machines known as 'Fruit machines'.

JPM a British company based in Cardiff, South Wales has established its No 1 position in the Industry by consistently producing the most popular Pub machines time-after-time — and popular, as any site owner or operator would confirm, means sustained high revenue performance.

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Optimism continues among mini-brewers

## Welcome niche for beer drinkers

THE STORIES of ruin and wretchedness surrounding 28 small independent breweries that falled in the last two years are enough to freeze the blood of any bright-eyed entrepreneur. "There is a growing feeling that only companies which pro-duce at least 25 barrels a week

will survive," says Brian Glover, author of Small Beer, a volume about them to be published next year. "The rest will perish," Yet careful research shows

that while 12 minibreweries have gone out of business since April last year, 17 started up in the same period and another crop of five-including the Maiden Oak in Londonderry, the Wangford Arms in Suffolk and one in Hastings so new it ead yet to be named to burst on the scene. Not only that but the wave has now rolled across the Atlantic to Canada and the States, giving British mini brewplant manu-facturers a massive potential export market.

#### A revolution

The first "new" small brewery was the Selby a revived family brewery set up in 1972. Six more arrived dur-ing the next four years before things really started hotting up with a further six set up in 1977

with a further six set up in 1977 and seven in 1978.

It was a revolution that peaked with 17 being started in 1979, 18 in 1980, 36 in 1981 and 37 in 1982. But then the bubble burst in the icy wind of recession and 28 have closed down over the last two years.

Nevertheless, this last year has seen a brewery set up for every one that closed downand more. Meanwhile, copycat homebrew pubs owned by the majors have grown to 30 per cent of the sector with six launched in the last few months launched in the last few months and more to come. Also haif a dozen failures like the Leith Brewery — whose marketing skills did not match the deliclousness of their beer—have made a comeback in slightly different guises. But there are now about 120 pure wholesaling small independents in the UK and more than 70 pub

The present struggles of the mini fraternity are symptomatic of problems that now beset the industry as a whole. With an estimated 15 per cent over-capacity national and regional brewers are locked in flerce competition—and, vying with each other to seduce every corner of the so-called free trade they often unwittingly trample a tiny independent between

Smarting under the lash is Alice Browery at Inverness,



two pubs to rub together is fighting for implementation of new EEC regulations which

allow a fied publican to take another brewer's beer as long

as it is "different in appearance

colour and taste." But it would

take a brave publican to ficut

brewers have, it seems, scant regard for tweetings from Brus-

sels.
Yet despite their problems
the new small independents

have found a niche in the British beer market. Apart from

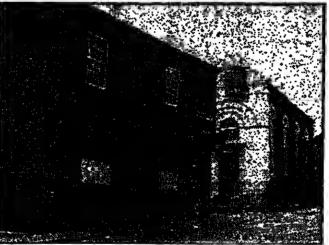
keeping larger broweries on

their toes by scotching local

to cling on through providing a better service to the free trade

bringing supplies out, day or

night, and learning how to mar-



Scotland, where two others, Devanha and Hawkhill have gone down this year already. "If we'd known what they were going to do, we'd have asked them how much they would pay us not to go into business—and made a fortune," says produc-tion director Roger Duncan.

Hawkhill director Bob Welsch says: "The main reason for our failure was that we weren't able to market our products properly
—we relied on the so-called free trade and we just didn't get it."

Of course, 80 per cent of pubs are totally out of bounds for small independents because they are tied to the breweries which own them. Most successful small breweries like Archers, Ringwood and the aggressive Banks and Taylor are quickly getting wise to this, buying np pubs for all they're worth. Many newcomers too are taking the wise option of a homebrew pub or links with a wholesaler.

In contrast, Peter Austin, chairman of the Small Independent Brewers' Association, some

Old Mill's brewery at Snaith berside, set np in 1983 he Brian Wilson, a former production director for Watneys in the North (Wilsons of Manchester and Websters of Halifax). The glesning equipment was supplied by SPR of

> Left: As "free" trade outlets are increasingly tied up by the big brewers, some new mini-breweries have started to set up their own pubs. The Two Brewers in Luton was Banks and Taylor's first pub. Now the Bedfordshire company (established in 1982) has four. Two mere opened at the beginning of this month.

their own achievement is rather down to earth. "We just hope to stay in business" says Dave Butler of the Ashford Brewery in Kent. And certainly larger brewers don't seem to see them as serious competition. They patronise us and treat us as a bit of a joke," he adds.

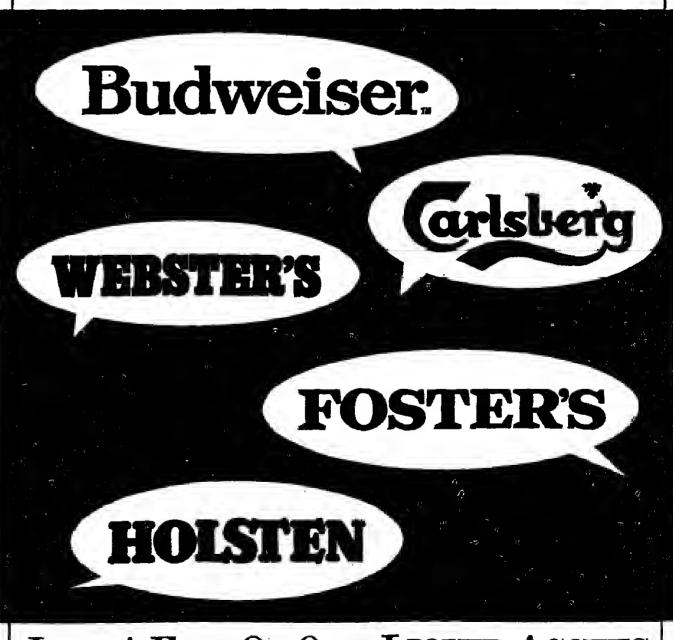
Yet the more successful gradually being accepted by and integrated into the general brewing community by developing interlluks with major breweries. Archers for example and Taylor have just received their second from Charles Wells.

monopolies, they have also won the heart of the beer drinkers pressure group, CAMRA (Cam-paign for Real Ale). Prices "Some people think it unusual we should help a small brewery," says Wells' chief executive Oliver Wells. "But in are down through healthy comreality it would be a long time petition in West Country, Mid-lands and South-East strong-holds. They have also managed before they could become our

Elisabeth Baker Editor of The Grist, magazine for the small independent

brever worldwide.

# WHAT'S PUBLICI QUOTED AFTER THE MARKET CLOSES?



JUST A FEW OF OUR LIQUID ASSETS. WATNEY MANN & TRUMAN BREWERS LTD.

managing director in 1982. Last year the group bought Richter Bros., an importer and distribu-tor of speciality foods, again a

Last year the importing of drinks into the U.S. earned Guinness around £40m with the group reporting sales to be up

by 33 per cent on the previous year. Guinness, said Mr David-

would be continuing to

stroog growth area in the U.S.

# More barrels roll out to the U.S.

world imported drinks have a strong social cachet. British hrewers, while still firmly of the opinion that exports will solve few of the problems of over-capacity in the industry, have recently started to investigate such markets, in particular the U.S.

For while sales of U.S. domestically-produced heers are static, imports are estimated to be growing at around 10 per cent o year, albeit from o small hase, currently taking some five per cent of sales.

Sales of UK beers are still very small, taking around 2.5 per cent of the imported market which is dominated by "bloode," that is lager-style products, such as Heineken.

U.S. BEER IM		9
(U.S. bulk bar	rrels)	
••••	1983	1984
	(r	n)
Netherlands	2.4	2.6
Canada	1.8	1.9
Germany	0.95	1.1
Mexico	0.37	0.49
UK	0.14	0.18
Tangu	0.09	0.12

"Tha British traditionally "The British traditionally have not been good at exporting heers," said Mr Harvey Allen, managing director of Allied Breweries Overseas Trading. "In the past we had a fairly secure and growing home market and little confidence in overseas markets as it to not easy to export heers. But is not easy to export beers. But with tastes and cultures changing, as well as static sales at bome, efforts are increasingly

The British effort-with exporters including all the major brewers as well as companies such as

Brewers Society W forged links in the I of years with British Trade Boards and P

In the U.S., for example, a label acceptable in one state may not conform with labeling requirements in another. "There has been a lot of cooperation and pooling of ideas,"
said Mr Mike Ripley of the
Brewers Sociaty." Now more
than 20 companies are exporting to the U.S. with more than
45 different beers on sale
"The products are premium

Find and are very much cult

priced and are very much cult drinks and we are not alming to put a dent in the classic U.S. market—the man who buys his six-pack to watch the football match on TV."

British exporters to the U.S. have tended to concentrate on the bottled sector of the market with draught products posing problems in connection with the return of kegs and also the volume of beer an outlet may require. But bottled products can give problems of quality control: an outlet may buy a couple of dozen bottles and keep couple of the for the next few serving them for the next few One area where Vaux, the

quality control is in the draught sector with the use of non-returnable kegs and it is now returnable kegs and it is now concentrating on this sector of the market. "Wa see non-returnable kegs as a great opportunity," said Mr Peter Hayward, group commercial director of Vaux. "We have no problems about the return of problems about the return of the container, it is lightweight and we can guarantee quality at the point of sale."

Sunderland-based brewer be-

Vaux—has	-
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ast couple Overseas	_
rovided a	T
e of infor-	_
vamnle a	

Beer exports and imports							
Total UK Imports:	1983:	1,877,594	Bulk Barrels				
•	1984:	2,052,422	"				
Total UK Exports:	1983:	458,044	n .				
•	1984:	524,018	. "				
Exports to the U.S.:	1975:	55,325	27				
	1984:	185,920	"				
Exports to Italy:	1975:	6,478	27				
	1984:	50,517	,, ,,				

the future to export 10 times that amount per annum. UK exports to the U.S. last year were obout 180,000 harrels out of total exports of some 500,000 bulk barrels.

Marketing

British brewers are also ex-British brewers are also exporting non-alcoholic drinks to the U.S. Allied Breweries Overseas Trading last mooth launched its St Christopher non-alcoholic lager in the U.S. after a successful marketing of the product in Canada in 1984. Like other exporters to the U.S. it had not been accounted to the trade of the tr paid particular ottention to the packaging of the brand.

"Non-alcoholic lager is about drinking and driving in the UK." said Mr Allen. "But in North America it is seen as an alternative to sweet soft drinks as well as appealing to the

Source: Brewers Society In 1984, Vaux exported the health and diet conscious." bottled equivalent of some 1,230 Allied also sells its non-alcoholic barrels to the U.S. but aims to loger in the Middle East, Ber-Allied also sells its non-alcoholic loger in the Middle East, Bermuda and Spain, the latter market according to Mr Allen

proving to be very buoyant despite considerable competi-

example of the Italian market— the second largest for British exporters — where there has been an explosion in demand been an explosion in demand for imported beers. During the past six years the Italian market for imported beers has grown by over 100 per cent, again from a very small base, but providing market opportunities for companies such as Allied. Its hrands such as John Bull, Ind Coope Pale Ale and Allsops lager now have nearly 50 per cent of UK exports to Italy which are estimated to be around 50,000, bulk barrels a rent of UK exports to Italy focus on this market. "It has brighted are estimated to be growth potential, the dollar is the hardest currency in the world and premium products."

Maintaining the premium show high returns."

hours, believing that customer behaviour had improved and that drinking in Scotland had

become more relaxed and

The new hours also have in-

creased employment in the puh trade, according to the survey.

Almost a third of licensees who

taken on more staff.

have adopted new hours have

Change in the English and

Welsh licensing laws is likely to

follow closely on the Scottish system, although the Home Office is understood to be keen

to ensure that there is general

agreement in the trade and with interested parties about what form of licensing laws should

been aeeking general views. The Brewers' Society, more-

over, has recently reached agreement with the National Union of Licensed Victuallers

about what form licensing hours

should take if the law is

Agreement sought

#### Major Specialist Off-Licence Chains end 1984

	le U.S.	Number of outlets Company	Name of chain		
		Bass	Augustus Barnett	400	
,	image of such products is a pre-		Galleon Wine	360	
	occupation of exporters—as it		Mitchells and Butler	100	
	is with importers of speciality		Others	40	
	beers into the UK		Total	900	
	The maintenance of the	Allied Breweries	Victoria Wine	810	
	quality import image is one	Whithread	Ashe and Nephew	325	
	reason why Guinness will not		Threshers	380	
	consider hrewing either Guin-		Whittalls Wines	72	
	ness or Harp lager in the U.S.		Total _	277	
	"In the U.S. we are known as	Grand Met.	Feter Dominic	480	
	an importer of speciality beers,"	Courage	Arthur Cooper	390	
	said Mr Chris Davidson of		Roberts of Worthing	300	
	Guinness, "and we have no	Greenall Whitley	Drew Wine Cellars	130	
	plans to become a domestic		Cellar 5	176	
	producer when the growing		Total	306	
	market is for imported	Unwins	Unwins	300	
	speciality beers."	North West Vint.	North West Vint. Oddbins	230	
	Guinness, through its Guin-	Seagram UK	Gough Brothers	56 155	•
	ness Harp Corporation is not	•	Total	211	
	the largest importer to the U.S.	Reo Stakis	Haddows	162	
•	hut it probably has the largest	Virani Group	Shop Inn	100	•
	portfolio of imported beers.	Anam Group	Bettle and Basket	100	
	These include Harp — marketed	Lennons	DVICE -III DIGICI		
	with an impressive gold and	(Dec Corp)	Lennons	94	
	royal blue label and with a short	Vaux Breweries	Goldfinch Wine Stores	140	
	history of the product - Guin-		Blayneys	140	
	ness, Caliber, a non-alcoholic		Liquormarket	140	
	lager, Bass Ale, Furstenberg,	Fuller, Smith and	Fuller, Smith and		
	Kronenburg and Asahi. The	Turner	Turner ·	57	
	last two products have recently	Agnews Stores		-74	
	been taken into the company's		Agnews Stores	50	
	portfolio having previously been	Greene King	Peatling and Cawdron	30	
	marketed in the U.S. by Kronen-	A. Kinton	Winterschladen Wine		
	burg of France.	(Argyll Foods)	Shops	30	
	Developing in the U.S. market has been a strong priority for	In some cases num	ibers are only approxim	nate	
	Guinness since Mr Ernest				
	Saunders took over oa groop				
	managing director in 1982 Last		•		

**Major UK Licensed Grocery** Multiples, December 1984

Number of grocery stores	Total	Licensed
		711
Argyll Group	1,090	151
Presto	151	131
Liptous/Galbrafth		40.
Templeton	615	405
Hintons	55	42
Le-Cost*	148	95
Cordon Bleut	121	18
Associated British Foods Gr	482	382
Fine Fare	290	250
Shoppers Paradise*	. 163	110
Stowarts	29	22
Asda (Associated Dairies)	101	98
Bishops/Budgen		
(Booker McConnell)	163	
Betamt	213	170
British Home Storest	127	- 58
Co-op	6,400	2,000
Cuilens Stores	100	75
Dee Corperation	770	671
Gateway/Keymarkets/		٠.
Lennons	382	333
Carrefour	. 8	8
International Stores	380	330
Hillards	. 42	. 34
Kwik Save		
(Kwik Save Discount Group	393	60
Littlewoods‡	108	104
William Low	· <b>61</b>	60
William Low	45	44
Lowfreezet	16	16
Marks and Spencer‡	264	259
William Morrison	. 33	33
J. Sainsbury	251	250
Safeway (Safeway Stores)	118	118
Safeway (Safeway Stores) Tesco (Tesco Stores	405	-46
Holdings)	400	340
Waitrose		
(John Lewis Partnership)	77	75
* Limited assortment discount † Freezer centre	store	

## Thirst unquenched in take-home market

## Clearing the air on licensing hours

PRESSURE FOR reform of centuries ago. In 1495, Henry Britain's licensing laws is now becoming so intense that for certain ale-houses and take becoming so intense that for many the key question is not It was apparently part of a camwhether the law will be whether the law will be paign to encourage archery changed to allow more flexible rather than "useless games." drinking hours but when the change will take place.

in the trade that the law will be changed in the next few years, especially since the Government is keen to reform the archaic shop opening hours times when drink could be

The case for licensing law reform, however, suffers because drinking alcohol is such an emotive issue for many people, especially the question of alcohol abuse.

This makes the forthcoming Scottish Office report on the position in Scotland even more crucial to the debate. Lacensing laws in Scotland were reformed in the mid-70s to allow longer and more flexible drinking bours. By all accounts the change bas not led to increased alcohol abuse but, instead, to the reverse with some sugges-tions that the incidence of drinking problems has improved. The Scottisb Office's report will probably confirm this trend and intensify the pressure

Moreover, the Government is keen to reap the benefits of Britain as a tourist attraction and Lord Young has a brief to look at ways of enhancing Britain's tourism. Many overseas visitors are amazed to find the restrictions placed on drinking in England and Wales.

Their surprise is understandable, however, since permitted hours of sale of alcoholic drinks in England and Wales are stricter than almost anywhere outside the Moslem world.

Laws governing the sale of drink in England and Wales

The present pattern of licens-ing laws for England and Wales The mood of Mrs Thatcher's developed under the emergency Government has convinced most powers of World War I and in the trade that the law will were consolidated in the Licens-

fied to their present form with the Licensing Act of 1961 and consolidated in an Act of 1964. However, the position varies considerably across the country and further complexities are created by special bours licences and extensions.

In Scotland, laws enacted in 1976 allow much greater flexi-bility. Pubs are allowed to stay open much longer than pre-viously, depending on cus-tomers' needs and the suitability of the premises.

In Wales, Sunday opening for pubs is determined in each district every seven years.

#### Opposed

The last major attempt to reform the basic licensing laws in England and Wales was in 1972 when a Home Office committee hesded by Lord Erroll mattee nesded by Lord Erroll unanimously proposed that pubs should be allowed to open from 10 am to midnight and restaurants and cafes should be allowed to self alcohol regardless of the sort of meal service they provided.

However, the Erroll report was opposed by the well-organ-ised lobby against liberalising the licensing laws, composed of religious, temperance health groups.

One major objection to ex-tending drinking hours is that ingly supported the new flexible



it would increase alcohol abuse among young people,

Yet in Scotland this does not appear to have had this effect, Dr Christopher Clayson, who chaired a Whitehall committee which led to the change in Scottish licensing laws, says that "in relation to young people in Scotland the suggestion is made that there is a good response to more liberal licen-sing in combination with health education, and lower tevels of drunkenness have been re-

Dr Clayson also points out that the uneasy forebodings of those who opposed relaxation of Scottish licensing law have not here described. been justified.

A Brewers Society survey last form of year of Scottish licensing hours remain, year of Scottish licensing hours found that consumers considered drinking "more civilised," made pubs more appealing, encouraged them to provide more food, and made the more suitable for women.

Scottish licensing hours

A lobby group, comprising the groups, tourist boards, and hotels, has been set up—called the Flexible Hours Action Group (FLAG) — which has been aeeking general views. The majority of the Scottish public, according to the survey, strongly supported the new hours and most believed that there had been no increase in drunkenness.

Scottish licensees overwhelm-

The main points of the proposals are that there should be no across-the-board changes but that individual on-licenses would be entitled to vary their hours up to a maximum of 12 hours between 10 am and 12 mid-

Approval for the variations wil have to be given by local licensing justices who would take account of social circumstances and activities in the locality and consider any representations by the police or other parties. In special circum-stances relating to the locality or to specific days, the justices longer than 12 hours.

What will be the effect of longer tkeening hours on the major brewers? Stockbrokers. Wood Mackenzie point out that flexible opening hours do not necessarily lead to higher volume consumption of beer. "The experience of Scotland suggest that the key profit growth for companies is in trading up rather than trying to sell more pints," the hrokers say.
"The brewers are likely to

try and increase the number of managed houses where retail as well as wholesale nrofits can be earned," says Wood Mac-kenzie. "This will put further pressure on low harrelage tenancies which cannot offer the facilities of larger managed houses. We expect a re-appraisal of each brewer's retail estate with the under-lying value of large, well located outlets rising to reflect their earnings' potential."

All this, of course, remains speculation until the Govern-

ment's Intention about licensing law reform is made clear. It is likely that a Home Office statament on the issue will be made later in the year but it remains to be seen when parliamentary time can be found to make any changes in licensing laws.

David Churchill

THE GROWTH of the takehome drinks sector has been one of the most significant shifts in consumer purchasing patterns over the past decade, reflecting the overall trend in society towards more home-centred activities. This trend, moreover, has been accelerated by the vigor-

ous merchandising by super-market chains of akoholic drinks of all types. Of the leading grocery multiples, most of their stores are licensed—a position that has been helped by the growth of larger stores with the space to display more drinks. About a third of the cooperative retail movement's 6,000 stores are licensed, as

are most Marks & Spencer According to Stats MR, a market research company, some 71.5 per cent of all offlicences were operated in conjunction with a grocery store, while the remainder

were specialist outlets. The importance of the take-home sector in the drinks market is emphasised by new market research from the Mintel research group. This research, published in a recent report. reveals that 73 per cent of consumers buy

alcohol for drinking at home. The survey shows, moreover, that more consumers are buying beer and cider to drink at heme—some 33 per cent bought beer to drink at home in 1983, rising to 36 per cent in 1984. For cider, the percentage of consumers huying it to drink at home has risen from 11 per cent to 13 per cent.
More men than women in

total buy drink for home con-sumption—although in the supermarket sector alone. split is fairly even. Further analysis of the survey's re-sults show that the 25 to 44 age group are the most frequent purchasers of drink for the home. In class terms, there is a slightly higher level of buying at the upper end of the socio-eco

The use of specialist off-

among the ABCl (professional and executive) groups, than among the rest of the population. Sales through supermarkets alone, however,

show a much more even class distribution.

Mintel's survey looks at various sectors in more de-tail. It points out that, for beer, off-licences are com-paratively weak because of the continued dominance of the pub in beer sales. Where beer is concerned

there is a moch heavier bias to men than in other sectors of the drinks trade," says Mintel. "Even in supermarkets made buyers by two to one, while in specialist of licences the figures are four to one." This is partly due to mer's drinking prefer. due to men'a drinking preferences, adds Mintel, and partly to the sheer bulk and partly the consequent effort needed

to carry it.
According to Mintel's survey, beer buying for drinking at home peaks quite strongly in the middle age groups. The growth of the takehome sector, and the greater involvement of non-specsalist

off-licences such as super-markets, has led to consider-able changes taking place in the specialist off-licence trade. The number of specialist off-licences is estimated to have fallen to about 11,600 last year, from some 13,500 in 1980; as a result of the increased competition in the market forcing out some of the less efficient operators. In the last two years, moreover, there have been a spate of takeovers and mergers and existing outlets have been re-furbished and re-launched.

#### Off-licence chains

In 1980, the only major national specialist off-licence chains were Victoria Wine, owned by Allied Breweries, and Peter Dominic (Grand Metropolitan). Now, however several of the major brewers are trying to establish a corporate identity for the various off-licence under their control.

Bass, for example, has now become the owner of the largest group of off-licences largest group of off-licences since its acquisition of Augustus Barnett in 1983. Barnett is the name being used for the up-market customer, while Galleon Wine is for the smaller, down-market store, Wine Sellers is gradually being physical out.

ally being phased out.
Victoria Wine has been setting the pace in the past year or so for creating a new image and approach: stores have been redesigned with particular emphasia making them more attractive to women customers.

Whitbread, which operates the Threshers chain, was busy expanding its off-licences by acquisition last year. In January it acquired a group of companies from Lourko including the 325-outlet Ashe and Nephew off-licence chain. In: October, it bought a fur-ther 72 outlets trading under the Whittals Wines banner. Whitbread now ranks as the third largest off-licence operator with Bass and Ailied in the two top places.

Within the specialist sector. beer and cider are estimated to account for about o quarter of turnover by value. Beer is sold mostly in cans, and only in the case of stout does the bettle still predominate. The growth of the take-

home sector is likely to continue in the foresceable future but probably at a slower rate than before. Most growth, however, is estimated within the trade to be likely to come from the super-market sector. The small independent grocer selling drinks is expected to have difficulty holding his own in the more competitive market conditions. The specialist offlicence sector will most likely continue to see some shakeout of smaller operators and a greater involvement by the big brewers.

\*The Alcoholic Drinks Market, published by Mintel, 7. Arundel Street, London, W.C.2, price £425.

D.C.

Maurice Samuelson looks at the efforts being made to save on energy costs

## Pubs could cut energy costs by £100m

management of beat.

However, energy costs are also being recognised as o major factor in the profitability of the places where beer is sold. In addition, energy costs are not unrelated to the revolution in the packaging of heer, emphasised by the switch to lightweight PET plastic bottles for larger take home containers.

Measures which would cut their of the fuel hills of the group'a fuel hills by 30 per cent, or 51,500 a year per pub.

The finding was received with considerable interest since, until them, the conservation efforts of the brewaries measures which would cut their of the fuel hills of the group'a fuel hills of the group'a fuel hills by 30 per cent, or 51,500 managed outlets went on their space and water heating. Their lighting bills came next, with almost 22 per cent, due mainly to the fact that lights were being used in trading rooms for 50 per cent longer than the licensing hours were the brewaries themselves, achieving a remarkable 16.5 per Cooling of beer in puls came

As far as the pubs are concerned, it is only quite recently that brewers have recognised the full amount of money they stand to make, or save, by exercising greater care over as much energy as the breweries their heating or lighting,

For the total UK public house estate of 77,000 outlets, the energy bill is estimated to be some £410m a year at current prices. The managed house estate alone, containing some 14,000 houses, spends an estiboth were kept at sensible mated £75m a year on energy, levels. Although savings in these with an average pub spending fields can be assisted by investsome £5,350 a year.

At a conference in Buxton, Derbyshire, in March, members management of the pub was through managerial rather than

FEW INDUSTRIES can be of the Brewers Society were more sensitive to energy costs told that there was scope for than hrewing whose main processment of largely on the fillown a year through efficiency management of heat. Itself the key to achieving them, technical reforms.

Mr B. J. Waring, energy and the country's pubs to save about the country the coun measures which would cut their fuel hills by 30 per cent, or

> cent cut in energy costs since 1976.

The studies presented to the but that they presented even greater scope for savings.

Most of the savings would be made by the elementary precautions over making sure that lights and heating were not left on when not required, or that ment in energy efficient equipment, it was recognised that the

Group, reported that 31 per cent of the fuel hills of the group's

Cooling of beer in pubs came next in the energy spending, at just over 17 per cent, followed by 12 per cent for catering and 9 per cent for the manager's own electricity use; sundry other costs accounted for remainder.

#### The challenge

Having Identified the scope for savings in the pubs, there is every reason to believe that, brewers will successfully tackle this challenge, too, even though it will have to be achieved

Energy costs—of the packag-ing makers rather than the brewers themselves—were also a factor in a recent revolution

in the take home beer package, represented by the widespread replacement of glass returnable beer bottles by lightweight, tough PET, However, the main reason for

the success of PET—polyethy-lene terephthalate—has been its inherent qualities of lightness and strength and their appeal to the consumer.

Having taken the soft drinks industry by storm, PET bottles, suitably modified to exclude oxygen as well as to retain carbonation, were only launched as beer containers four

Christmases ago. Today, PET bottles are used by at least 24 British breweries as well as by several major retail chains with own hrand beers. Metal Box, which pioneered the specially coated given their previous success in PET beer bottles, says they are the breweries themselves, the in the process of becoming the biggest packaging second medium for beer after the 16-

ounce can. Review, the months the year earlier.

monthly trade journal, said in its January issue, that hrewers last year used 65m PET bottles, 90 per cent of them in the two-litre size. Incidentally, some 20 airlines are also carrying miniature PET spirits bottles, which are being used for experit major. are being used for several major hrands. One of the latest Scotch whiskies to "go PET" Teachers.

However, although the party can has virtually disappeared, the new material is not denting the new material is not denting the overall popularity of cans as the leading beer package. According to Packaging Review, the number of beer cans sold in the UK last year rose 3 per cent to 1,950m units, with a total market value of £127m.

Within this sector, 16 oz cans are doing well at the expense of 10 oz cans which continue to be used, however, for stronger products such as Guinness and

According to the Can Makers information service, in September and October 1984, 86.4 per cent of packaged beer sales in off-licences were in cans, a 9 per cent increase over the same

the world, incorporating the latest advances in energy saving

The control room in the £13m complex of Scottish & Newcastle's Fountain Brewery in Edinburgh which is one of the largest and most fully-automated brewhouses in nber 1984

Total 1,090 151

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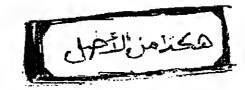
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# BREWERIES ARE PLEASE TO ANNOUNCE A LES ARE GUING KE XXXX

Following its extraordinarily successful launch in Yorkshire and Central, Castlemaine XXXX, the Australian lager, is coming to London in May.

ment is by no means always

ensure they were not liable to

At boardroom sessions

Any danger of their con-

centrating on generalities is guarded against by every board-member having to work, as they put it, "on the front"—mean-

ing he is responsible for domestic husiness in et least one

region of West Germany, as well as having a wider beat—for

In all there are 14 regional

bead hranches in Germany, themselves controlling more than 1.300 domestic offices.

Board members allow hranch

directors a lot of scope, thus fostering decentralisation and

encouraging regional competi-tiveness. But a very regular

reporting system generally ensures that any errors are

quickly spotted at headquarters, and the offending director is

given a-more or less friendly-

Probably the single key word

for the managing board is "balance"—of skills and ages—and a lot of trouble is devoted

to achieving it. Some members of the board are brilliant

(occasionally somewhat wild)

deas men; others terrier-like

stern controllers (It would no doubt be invidious to suggest

who is which). There is really no hard and fast rule on age.

Put all these historical and

other factors together and it is fair at least to hazard a guess

on who the Deutsche's next spokesmen may be. Hilmar Kopper, responsible for Euro-pean business, looks the best tip to succeed Christians later in

this decade—and Werner Blessing, who is just acquiring responsibility for North America to add to his existing

tasks in Latin America and

Africa, to make the summit in

the 1990s. That of course is

Far ahead

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broad strategy.

Deutsche Bank

## The art of understatement

Jonathan Carr explains the West German bank's tradition of collective leadership

DEUTSCHE BANK, so the say- managing board members, in- well inside it. ing used to go, is run like a republic; Dresdner Bank like an enlightened monarchy—and Commerzbank like a dictator-ahip. The statement is bardly true any more of the two latter institutions, respectively second and third among West Ger-many's "blg three" commercial hanks. But it is still pretty accurate for the Deutsche-by far the higgest and most profitahla hank in the country, with a group turnover last year of DM 238.4hn (£62.7bn) and operating earnings of close to DM 4hn.

The "enlightened monarch" at the Dresdner, tha much lamented Juergen Ponto, was murdered by terrorists in 1977. The so-called "dictator" at Commerchank, Paul Lichtenberg, stepped down as head of the managing board in 1976 (though the present incumhent, Walter Seipp, is also a tough character who leaves no doubt who is tha boss). But at the Deutsche there is so strong a tradition of collective leadership, combined with studied understatement by those at tha top, that an outsider might wonder at first whether the hank is run by remote control. This looks odd at first sight, because the Deutsche's top

leaders since the war have not just been excellent bankers each has a particular domestic banking responsibility, ensuring they keep their fingers on the banking pulse—but men of unusually wide interests and with the highest contacts in industry and politics. But they also are expected to merge, chameleon-like into the collective background of the managing board. In a phrase, they must be outstanding—but they should not stand out.

yesterday at the annual share-holders' meeting when Alfred Herrhausen formally became new "co-spokesman" of the managing board. Herrhausen even the spokesman—but one of two (the other is F. Wilhelm

cluding the spokesmen, are listed alphabetically, without titles. By contrast the mambers of the supervisory and advisory heads are supervisory and advisory who wondered whether the new hoards are given as Dr this or Professor that, with the chairmen named first.

reverse of the truth. Indeed, it is bard to think of any per-sonality less like a figurehead than Hermann J. Ahs, the first post-war spokesman of the Deutsche and ona of the most famous of all hankers.

phase of the war, solemnly pledged to his mentor at the Deutsche, Franz Urbig (then aged 80), that he would do all in his power to rebuild the bank when peace came. He kept his word, although the Deutsche lost most of its assets and (like other German hanks) was initially split up by the wartime victors. Only in 1957 did Deutsche Bank AG become a unity again, and a year later —thanks to Abs—was managing tha first D-Mark foreign bond issue for almost half a century.

#### **Distinction**

Ahs was (and still is as 84year-old honorary president of the Deutsche) a man with the mild appearance of an English country squire and an almost irresistible willpower. But, as one of his successors at the Deutsche recalls, even Abs did not quite always have his own way on the managing hoard. And significantly, when he moved on to head the super-That tradition was confirmed visory board in 1967, he was replaced by two spokesmencolders' meeting when Alfred derrhausen formally became special case in very special cir-

g board. Herrhausen The new tandem at the top chief executive" nor did not last long because one member of it, Karl Klasen, became president of the Bun-Christians who has had the job deshank, the central bank, those who reach the coveted in 1970 — a job he held with position of "primus inter pares" represent the Deutsche's policies, jointly agreed by the hoard, to the outside world.

Neither Christians nor Herribans processed by the control of the Rimbank, those who reach the coveted in 1970 — a job he held with position of "primus inter pares" — which involves election by management board colleagues Heinrich Ulrich, gained a bit not "appointment" by the super-

That might seem to imply that the Deutsche Bank's spokesmen are a rather dull lot; mere figureheads who leave the nitty-gritty decision-making to their colleagues. That is the

It was Abs who, in the final

simple to achieve. Guth and Christians made a practice of meeting shortly before board sessions to compare notes and tandem at the top table would be able to fill Ulrich's sboes. be divided on any point. They need bardly have worried. One spokesman, Wil-At boardroom sessions, according to participants, less than 20 per cent of the time is spent discussing individual deals, the rest to thrashing out.

fried Guth, became probably the best-known German banker internationally over the last decade. Prized for his advice by many, including ex-Chancelior Helmut Schmidt, ha bas unusually hroad knowledge of economics and finance based on economics and mance hased on, among other things, earlier work in central banking and at the International Monetary Fund.

It is Guth (born on July 8, 1919) who is moving to the supervisory board now—making way for Herrbausen and fulfilling the unwritten rule under which a member of the managing board gives up his post in the year of his 66th birthday (at the latest).

The other Christians, who was 63 this month, has often tended to be seen outside Germany as the Deutsche's key "domestic business" man with Guth as the "industrialist". This is hardly fair to Christians who, among other foreign tasks, successfully negotiated a string of credit deals with the Soviet Union over many years, and probably has closer ties with top Russians (including the new Soviet leader Gorbachev) than any other Western banker.

One characteristic of all these men is that they have a broad range of interests—both in finance in the widest sense, and beyond. Again Abs is the prime example with his international experience, mastery of more than half a dozen languages and wide knowledge of music and art of music and art. Guth loves sport (including

skiing and hiking) as well as music; Christians horse riding and modern paintings (he has a fine collection)-and so on. All that helps explain why

hausen will be given special than either his predecessor or placed to be able to draw policy looking very far ahead—but notice in the bank's annual resport. Again by tradition the prized by those who knew him colleagues. Nonetheless agreeplaced to be able to draw policy



The state of the s

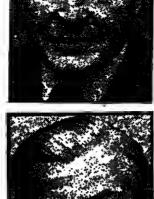


Clockwise from top left: Hermann Abs. the post-war re-creator of

THE NEW co-spokesman of the managing board of Dentsche Bank, Alfred Herrhansen, who was 55 in January, faces the biggest chal-

His joh as "primus inter pares" is not hampered by the fact that he did not start out as a Deutsche Bank man. True, he only came to the Deutsche board from industry in 1970, at the encouragement of Christians who is now his co-spokesman colleague. But then Herrhausen's pre-decessor, Wilfried Guth, only came to the Denische quite

about Herrhausen's top quali-ties, as a banker and as one with major expertise in German industry. Born in Essen in the Ruhr area, he knows the steel sector better than almost anyone and at age 37 was already finance chief of the key Dortmund-based VEW, the Dortmond-based electricity supply company. At home he has proved a highly effective supervisory board chairman of Continental Gummi-Werke, the





the Deutsche Bank: Wilfried Guth, retiring spokesman moving to the supervisory board; Wilhelm Christians, a co-spokesman since 1976; and Alfred Herrhausen, the new co-spokesman, in Guth's place

lenge of bis strikingly suc-

late in his career too, from public hanking and inter-national finance work. Nor is there any doubt

country's higgest tyre concern; abroad he has shown skill in directing the Deutscha's North American operations.

Colleagues (and rivals) agree he has a razor-sharp analytical mind, a great capa-city for hard work—and many top level contacts (including Chancellor Helmnt Kohl).

Herrhauseo's real problems are that it will be hard for him to fill Guth's shoes and that Gnth is a banker of quite uncommon range and exceptionally strong public image—even aura. The latter has been a huge bonus, of course, for Deutsche Bank.

So far Herrhausen has displayed little of that quality. In public he looks cool, aloof, even arrogant (though his defenders claim he is per-fectly civil and friendly to those who do not waste his time . . .). At the Deutsche's press conferences he displays a mastery of facts, little sense of humour and constantly casts anxious blinks at his watch. Inside the bank he is clearly prized, but as a "spokesman" for the Denische to the world it looks as though he has a lot to learn.

## BUSINESS PROBLEMS BY OUR LEGAL STAFF

#### Personai liability

I am a director of a group of companies which became a victim of the recession and although drastic measures were taken it was forced into liquidation.

There has been considerable correspondence with the DESS which has been attempting to claim various amounts from me personally. Much confusion has arisen by the amounts claimed not being recognisable and in some cases the sums did not some cases the sums did not

There not as yet paid over anything.
Can the DHSS claim from me NI contributions deducted from my salary and not paid over by the company; tha employer's portion of the NI not paid for the same period. not paid for the same period, and any other NI contributions, employer's and/or employees; relating to other bers of the staff not paid

If there are found to be any discrepancies from previous years relating to any of the employees including my own NI contributions can the DHSS go back over those

It seems that the claims for unpaid contributions should be made against the company rather than directly against you; but a secondary claim could arise against you. Volume 33 of Halsbury's Lews of England, 4th edition may assist

#### Expenses of offices

I am thinking of setting up as a sole trader planning con-sultant in the UK and abroad. I shall be using part of my home as an office but need a London base too for UK work. For this I propose to buy a narrowboat and convert it into an office and overnight

pied-a-l'ean.
Will the £22,000 spent on this be allowed in full or in part as "setting up" capital expenses against tax? Will the proportion of current expenses on this office there-after allowable effect the expenses allowable on the country accommodation? And what about journeys between? Do I have to register for VAT in advance before knowthose I invoice in the UK for my services, have to have VAT added during that year, in anticipation?

Or must I wait until registered?

You should ask your local tax inspector for the free booklet IR28 (Starting in business), and your local VAT office for the free pamphlet 700/1 (Should I he registered for VAT?)

You could also ask your tax inspector for booklet CA1 allowances machinery or plant).

Briefly, the answers to your first three questions are: no; no; and probably; it depends upon the precise facts.

#### **Travelling** expenses

I own some small shops and the Inland Revenue Tax Inspector has refused to allow me, from 1981, travel and subsistence for the purpose of management, rent collection,

interviewing new tenants, etc. The shops are some 200. miles from my house and I visit them once a month; I think it is quite unfair of the Inland Revenue to regard the monies as investment income.

My contention is that the income should be taxed as arising from a sole trader business. Could the income be transferred to an appro-priate tax category or schedule so that I could then be allowed reasonable business expenses—including of course travel and subsistence?

Income tax (like capital gains tax) is levied according to arbitrary rules laid down by MPs over the years, with scant regard for questions of equity and fairness. The Government has rejected

calls from its backbenches for landlords travelling expenses to be allowed es exper management under the rules of Schedule A. A free explanatory booklet,

IR27 (Taxation of income from real property), is obtainable from your tax inspector. We are sorry to say that equity favours you — as has been indicated by some judges' com-ments — but Parliament is against you.

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No legal responsibility can be accepted by the Financial Times for the onswers given in these columns. All inquiries will be onswered by ing the results of my first All inquiries will be on year's trading? If not, do post as soon as possible.



MADE BY THE STEEL COMMUNITY

The Commission of the European Communities announces that the annual installment of bonds amounting to US\$1,750,000 has been purchased for redemption on 15 June 1995.

B.I.R.D. FFR 150,000,000 7.25% 1972-1987

e FF 15,000,000 iustalment due for lemistion on June 15 1885 has been tty met by purthages in the market tty mominal value of FF 3,750,000. c balance of FF 17,250,000 has en met by a draw by lot on May 2. Max in the greente of a notary

GOVERNMENT OF ZEALAND 7.25% 1972-1987

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NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9% 1977/95 OF US\$50,000,000

Company Notices

EUROPEAN COAL AND

Amount in circulation efter 15 June 1965 US\$36.000.000.

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BANQUE PARIBAS (LUXEMBOURG)

## LOAN OF FFR. 75,000,000

The redamption due on 1st June 1988 for which a sum of Fr 7,500,000,—is planned has been entirely net by repurchases on the Stock Exchange, Destanding amount after June 1, 1983: FF 24,500,000.—

## People who know Boston LONDON See your travel agent or contact 49 Albemarke Street, London WIX 3FE. (81) 629 5353 Manchester (061) 499 2471.

## **Company Notices**

#### WESTERN DEEP LEVELS LIMITED

(Incorporated in the Republic of South Africa) NOTICE TO HOLDERS OF 12 PER CENT UNSECURED DEBENTURES 1986-1993-INTEREST PAYMENT No. 10

Notice is bereby give that, in respect of the loterest on the debeotures for the period January 1 to June 30 1985, warrants bearing the latter date will he posted from the Johanneshurg and United Kingdom offices of the transfer secretaries on or about June 19 1985 to debenture holders registered at the close of business on May 30 1985. For that purpose the transfer registers and registers of debenture holders will be closed from May 31 to June 14 1985, both days inclusive. Registered debeoture holders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 3 1985 of the rand value of the interest due to them. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or hefore May 30 1985.

In terms of the Republic of South Africa Income Tax Act, 1962, as ameoded, a withbolding tax at the rate of 10 per ceot will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of dehenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax. By order of the board

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED Secretaries

Transfer Secretaries: Coosolidated Share Registrars Limited First Floor, Edura 40 Commissioner Street Johannesburg 2001 (P.O. Box 61051 Marsballtown 2107)

Hill Samuel Registrars Limited 6 Greeocoat Place London SWIP IPL Johanoesburg May 15 1985

per R. S. Edmunds Divisional Secretary Registered Office: 44 Main Street

Johannesburg 2001 (P.O. Box 61587 Marshalltown 2107) London Office: 40 Holborn Viaduci Loodoo ECIP 1AJ गागान

PROYINCE DE QUEBEC Topo FF 125,000,000,-

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Announcements

"HAPPY BIRTHDAY

#### TRANSAMERICA CORPORATION

U.S.\$30,000,000 Floating Rate Notes due 1990 (Coupon No. 1)

Pursuent to notice conditions, nodce is hereby given that for the interest period from 13th May 1985 to 13th November 1985 an interest rate of 8% per cent per annum will apply. Amount per coupon = U.S.\$2,268.06

payable on 13th November, 1985 Reference Agent:

Long-Term Credit Bank of Japan, Ltd. London Branch

Personal

CHEMICAL NEW YORK CORP. US\$300,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE 1997

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In accordance with the provisions of the Notes, notice is bereby giveo that for the interest period from May 15th 1985 to August 15th 1985 the Notes carry an interest rate of Sa cent per annum. The interest payable on the relevant interest payment date, August 15th 1985, against coupon No. 2 will be US\$1070.14 per US\$50,000 Note.

Agent Bank CHEMICAL BANK

Ministry of Public Works, Construction, Posts and Telecommunications National Office of Telecommunications

Ivory Coast INTERNATIONAL INVITATION TO TENDER No. 3290/84/ONT/DFB/FM/031 1 — Objective

The National Office of Telecommunications (ONT) invites international tenders for the supply, installation and connection to the telephona network of an SPC digital local/transit exchange of 10,000 lines, extendable to 60,000 lines, in ABIDJAN and such other optional exchanges or equipment as may be required by the ONT.

2 — Finance Finance for the project is assured jointly by the African Development Bank (ADB) and the Ivorian Government.

3 — Tendering Conditions Tha tender is open to manfacturers and suppliers of digital exchange systems in member countries of the ADB and whose equipment is produced in these countries. Tha digital exchanges offered must have heen already proven in service.

4 — Tender Document Collection The tender documents will be available to be collected from the 20th May 1985 at the following address:

Services des Marchés
Bureau des Appels d'Offres
4ème étage Porte 04-01
Postel 2001
ADBIJAN
OF PUMENT OF FEWO 000 CFA

on payment of F200,000 CFA by cheque or bank order, aigued by the manufacturer or supplier, made payable to:
"Office National des Télécommunications

de Côte d' Ivoire." 5 - Return of Tenders The tenders must be delivered not later than 17.30 on the 20th August 1985 to:

ngust 1985 to:

Direction de l'Office National
des Télécommunications
Service des Marchés
Bureau des Appels d'Offres
4ème étage Porte 04-01
Postel 2001
ABIDJAN

6 — Enquiries

All enquiries during the preparation of tenders must be made in writing or by telex to the "Service des Marchés" for administrative information and to the "Département de la Production, Projet Plateau III, Postel 2001" concerning all

Director Netional Office

Postel 2001 ABIDJAN 01 B.P. 1838 TELEX: 23790 or 23758 of Telecommunications

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#### THE ARTS

#### Lontano/Elizabeth Hall

#### **David Murray**

Enterprising as usual, the called the Schoenberg of the young Lontano ensemble offered op 16 Orchestral Pieces). local or world premières of More elaborately wrought and music by four composers on more vigorously original, the Monday. The oldest music was American Roger Reynold's by the oldest composer, a pair Mistral is the result of a chilly of pieces from the 1930s by the encounter with that ill wind. It legendary Conlon Nancarrow has blown up something good, New 73. Noncarrow has for a concisely rich construction for many years been living in twin tries of strings, the same Mexico, devising music for of winds, and an amplified harp-

natural it would be for him to explore that specialised medium. The Sonatina, which represents its American period with an added-note blues and a jugato finale, squeezes an enor-mous number of notes into five mous number of notes into five minntes; coolly organised, terrifically energetic. Shelagh Sutherland played it with a will though a more hard-fingered pianist (less musicat, even) would be the ideal exponent. For the Toccata. Sophie Langdon's flying violin was backed by a pre-recorded instrument; the piece went off like a rocket. The West Coast composer William Kraft's Gallery 83 was much milder stuff. Promited by much milder stuff. Prompted by three paintings - Monet's "Waterloo Bridge," 2 Jackson

merico, deviaing music for or winds, and an amplified narpplayer-plane, tamping possiblisichord. In 19 minntes a set of
ties beyond the range of merely
human plaintsts.

The Sonatina para piano and
the tiny, frenetic Toccata for
his musical diction elegant and
his musical diction elegant and communicative. Odaline de la Martinez conducted a lucid per formance: the pacing of the recule pour mieux sauter luil before the climactic close mis-fired slightly.

George Newson's new O My America, a BBC commission, is a big open-textured fresco, a "European response" to that vast country, with travel-vig-nettes from Nabokov's Lolita declaimed by a speaker against a melodinus benor with other apposite texts. (Neil Jenkins sang suavely and sensitively; I thought Neil Cunningham's declamation too purple for some

of Nabokov's ironies A sonorous wind band carries the music, with piano and xylorimba flourishes, and two Pollock and the composer's own low strings assigned to Newson's "Kandinsky Variations"—it strong, cogent bass line. The makes nicely balanced neo whole combination is risky, but impressionat sounds (though a boldly calculated and — just celesta ostinato instantly re- about-successful.

#### Isaac Stern/Festival Hall

#### **Andrew Clements**

Isaac Stern is a regular visitor to London, but only rarely to give solo recitals. On Monday evening he was partnered by Jean-Bernard Pommier in a pro-gramme of four violin sonatas which differed substantially from the nne originally amounced, but which proved to be eloquently, sometimes powerfully impressive.

Stem's appearances nowadays invariably have their moments of danger when everything goes awry; this time they were very few, mostly shrugged off in the opening movement of Beet-hoven's A minor sonata Op. 23, made fiercely combative, and, later, delicately restrained.

That was but mild limbering up for Faure's A major sonata; warmly, subtly conceived in its opening movement with unconversational ease between the two partners in the development, its Franck-

out was considerate, never nver-emphatic; ensemble was impec-cable. In Copland's Sonata of 1943, the main interest lies in the cunningly suspended dia-tonic chords of the piano-writing; not—for me—one of the composer's more successful essays in his populist "New Deal" style. Stern's playing of it was lucid and uncomplicated; some violinists may have brought out the dance accents of the finale more strongly, but bere the effect was fragile and poetic. By the time he reached

Pommicr's support through

Brahms' D minor sonata, Stern was playing with a freedom and assurance that was irresis-tibly involving. Again the music making was conceived on a grand, dramatic scale, with scarcely a break between movescarcery a freak between move-ments lest the intensity be broken. A flawless cantabile line in the Allegro, profound lower-string warmth in the Adagio; most fascinating of all perhaps was the way in which each of the finale's subsidiary. Themes was trusted carefully along of the finale's distinction in the development, its Franckian chromaticisms quietly
savoured. One questioned only
the insistency of the scherzoattacked with Prokofiev-like
vigour; certainly not the grand themes was the way in which
presentation of the finale, which
caught the full emotional
weight.

#### Orwell and Swift

#### **Anthony Curtis**

Orwell is on record as saying that he first read Guitiver's Travels when he was "eight years old at the most, and it's

living and human beings, even if they're dirty and ridiculous,

**Authorised** 

Amount .

This year's George Orwell ness, as so many biographers Memorial Lecture, "Orwell and Insist he did. All the eloquence Swift," was given by Michael of one skilled in adversarial political argument was applied to this new-look, ultimately be-

Movingly, Mr Fot read that episode from the voyage in the Houyhoms where Guliver takes leave of his equine masters and While proclaiming his lasting singled out the sorrel nag, the admiration, Orwell also parts company with his literary mentor on the grounds that "He essentially Orwellian character, couldn't see what the simplest a potential Winston Smith, some-person sees, that life is worth one who does not always run with the herd.
It became clear from ques

are mostly decent."

The main thrust of Mr Foot's everyone agreed with this relecture was a fascinating visionist view of Swift, not least attempt to exonerate Swift from the chairman. But Mr Foot this charge of myopla. He predefly parried all attempts to
sented a Swift who was a model
shift him from his stand. He
nf sanity and good sense, not dealt in typically able manner
merely a powerful engine of dewith the points raised, including
structive satire. He denied that a tricky one about Swift's atti-Swift ever declined into mad- tude to the Irish Catholics.

#### Television/Christopher Dunkley

## Early birds catch the clichés

If you were selecting a single five-second clip to allustrate the current state of breakfast television you could hardly do better than the moment last Tuesday morning on ITV's Good Morning Britain when Ame Diamond said "Now you breed budgeri-gars, yes?" and David Bailey, a famous photographer replied "No, I don't breed hudgerigsrs." The exchange was stereotypical in thet it occurred in the studio. with the presenter and "guest" on sofas, one of them (Bailey) looking understandably bleary eyed, the subject matter was trivial, the presenter's back-ground information was inaccurate (it turned out that Bailey had, nnce upon a time, hred parrots); and everybody was able to do a tremendous amount of that forced laughing which plays such a large part in breakfast television.

But let's be fair (after a week concentrating on breakfast pro-grammes it is almost impossible to evoid expressing yourself in clichés): there must surely be good things in say about these early morning programmes? Well, the presenters on both ITV and BBC1 are pleasant enough, and although those on ITV may not be the world's greatest journalists they do have the common touch, plus a hint of Wogan; they read auto-cue smoothly and are never at e

less for a well worn phrase.

ITV's Anne Diamond is especially easy on the eye. It is no great surprise to learn that she is to replace Judith Chalmers as compere of Miss World, Those who complain that Miss Chalmers is being victimised because, at 48, she looks more womanly than girlish, and who are not applied to men, should remember that this cuts both ways: Debbie Greenwood's route via the Miss Great Britain title to the BBC Breakfast Time presenter's chair vacated this week by Selina Scott (another dishylooking girl who can hardly have been selected for her owering journalistic talents) is barred to men,

And if the objection is that women should not be selected for their looks then, as viewers, we are entitled to ask why not. In a medium so concerned with pictures why should the gift of good brains should the gift of good brains count for so much more than the gift of good looks? It should be just as much a part of a producer's job to tell Wincey Willis at TV-am to have her teeth and her ghastly haircut attended to—after all, we have to look at them—as to rensure that the presenters have ensure that the presenters have adequate research about their

In 1978-79 Lewis Baltz, a

young American photo-grapher, decided to photo-

graph a new town in the making; not one carefully planned, with balanced social

planned, with balanced social objectives, but a one-track-minded development — Park City, Utah, a "resort suburh" not far frem Sait Lake City. Rather like Roger Fenton at the Crimea, one imagines, he stood with his tripod taking a meticulous series of photographs. The 162 images he caught are the subject of an exhibition at the Victoria and Albert Museum — a bleak

Albert Museum — a hleak chronicle of an unpeopled, apparently random creation in the semi-desert,



Debbie Greenwood of BBC " Breakfast Time "

rock music and old animated carbons — and on Sundays they devote a lerge part of the programme specifically to child viewers, though it is a mystery why they find it desirable for so many Sunday presenters to have American and Australian accents, and it is embarrasing to see a man live such interviews are hardly barrassing to see a man like Such interviews are hardly David Frost reduced to dishing typical of the output of either

out prize sweatshirts for "Write A Photo Caption " competitions. As e general rule the BBC gains immensely over its competitor by being able to use the Corporation's worlowide news structure. Once in a blue moon, events turn the breakfast programmes into news show-cases. It bappened with the Brighton hombing, when ITV's lack of news facilities showed them up shemefully, and again last weekend when the ITV programme was able to call on Yorksbire Television's dramatic coverage of the appalling fire et Bradford. Also in the BBC's favour - so far as I am concerned, anyway — is its general tone which, in Fleet Sreet terms, seems designed to appeal to a public somewhere between the readership of the small tahlolds (Mirror, Star, Sun) and the bigger tablolds (Mail and Express), whereas ITV's break-fast programme is now aiming

determinedly below the market of every peper in Fleet Street. The difference in approach on both statishetween ITV and BBC hecame "look at the clear tast week on the day that another guest.

The myopic view he ex-

tended to it all-maked power

points, scribbtes on the plasterboard, bouses dumped never-mind-how in the sand—

makes the series oddly com-pelling. By focusing so close,

so neutrally, it is a ferocious

comment upon a meaningless place, best summed-up in its

own appalling jargon as a "new bedroom community" (for bedroom, read dormitory) in which landscape is transformed crudely into real

The scene represented is a strange one to European eyes; we fight over each lost green acre as the urbanisation of scant space presses on. In the

ders for their image. They Lime Grove) to talk about also serve children fairly well America's "Star Wars" plans.

— assuming your children like At ITV, the only person rock music and old animated capable of questioning him

service, however. Both ITV and BBC are shameless in their use of cheap — if possible, free — material. Both are keen on rock videos, which allow them to display expensive footage for nothing. Both are keen on pro-moting their own forthcoming editions; the BBC, perhaps, using trailers to fill even more time than ITV. Both sides also promote other programmes on their respective networks; ITV devoted a comparatively long time to an edition of Link last

Friday, for instance.

Both, also, are blatant in their parasitical dependence upon the Press. For newspaper journalists it is flattering but also astonishing to see how, (in what is supposed to be the age of the electronic mass medium) television still looks to Fleet Street to decide the news agenda. Not only is the comparative significance of events dictated by newspaper coverage, but newspapers are also used as the main source of ideas for feature material—and on both stations for a daily "look at the papers" spot by another most

U.S. the wastes remain; the brake—at least in the south-west—is applied only when the terrain is utterly unyietding, withholding even water. If one stretch of land repels the invader there is, so far, a human another applicable.

always another available.

There is a school

There is a school of American topographical photographers whose subject matter is this unremitting process of change — and inevitably, given the theme, the images are spare, disturbing, minimalist. Much of the impact of the photographs in the exhibition comes from the fact that they are sequential—

fact that they are sequential— although there is no end, no rose covered condominisms to

Photography/Lewis Baltz

Gillian Darley

ing her show, Strawberry Switchblade publicising their video, Oliver Tobias boosting his movie, Sally Brampton advertising ber new magazine, the Clancy Brothers plugging their tour, or Andrew Neil puffing the Sunday Times (just some of those seen in the past week) cost-effectiveness is obviously the programmes' primary criterion. With the broadcasters comiving so enthusiastically at all this plugging it was curious to hear Frank Bough suddenly turn on a Coca Cola executive on Thursday and tell him to stop the commercials. Who invited Coke along to plug their "new" havour in the first place?

Breakfast televiston was launched in Britain two years ago with a lot of hallyhoo. Peter Jay and his "Famous Five" trumpeted their "mission to explain." But when the BBC beet them onto the air, nitching their appeal uncharacteristically, at the centre of the tabloid market, the Famous Five—Robert Kee, Anna Ford, Angela Rippon, David Frost and Michael Parkinson—found themselves with virtually no themselves with virtually no audience. They were tabelled slick, stuck up, and pretentious. All but Frost disappeared and with the Independent Broad casting Authority turning two blind eyes to the conditions of their contract, TV-am launched a desperate rearguard action. Today the most popular seg-ments of their programme are watched by 2.5m viewers; the BBC figure is only 1.5m.

TV-am's figures have been achieved by plunging down market. If they have a mission today it seems to be the reduction of all subjects to the condition of garden-fence gossip: time-filling, amiable, poorly in-formed. Indeed, so vivid does the memory of the Famous Flve seem to be that TV-am now go to comical lengths to avoid any hint of "lecturing" or exper-tise. Even the sports reporter's material tends to be imparted as chit-chat with another presenter. That astrologer Russell Grant should have become the star performer in the BBC programme, with a greatly en-larged Monty Modlyn type rôle as the naughty-but-nice voice of the people, is an indication that the BBC is determined to stay in the scrap and fight for the bottom end of the market.

Since television news and current affairs bave always tended to overlook the Daily Mizzor/Tit Blts segment of the audience—the biggest segment -there was room here for a programme. The pity of it is that both hreakfast series bave adequate research about their clear tast week on the day that another guest.

Lit General Daniel Graham "Guests" are, of course; a papeared on both programmes primary feature of both prodigress. What else can be said (not an uncommon occurin favour of the breakfast programmes? ITV have brought groove worn an London's Westback news-reader Gordon way by those driving at dawn is David Cassidy hyping his
Honeycombe, which does wonbetween Camden Lock and new LP. Anita Harris promot-

make it feel more comfort-able. Of course, the expecta-tions that the place arouse are

tions that the place arouse are no more than that of a serviced dormitory, linked hy little other than tarmac and a country cinb—and a need for the open air, for this is a ski resort. In fact, this is ski sprawl; the recreational variant npon urban sprawl.

The intention of photographs is, evidently, to be unsettling. It is a view of waste, of encroachment, and of purposelessness in the name of a fast buck. Quite an indictment and one which could, perhaps, effectively be made only in the cool, rarified atmosphere of a fine art exhibition.

#### American Festival/Bloomsbury

#### **Clement Crisp**

The events planned for the Bloomsbury Theatre between now and the end of the month are given the general title of "A bite of the Big Apple" under the assumption that we are sampling something of the New York avant-garde. If Monday's opening programme, with its mixture of video, dance, percussion and excessive talk, is anything to go by, then the blte is e small one, from the less nourishing part of the fruit.

The outstanding item was a

dazzling performance by four percussionists from the New Music Consort of John Cage's Third Construction a virtuoso exercise in electric rhythms, fascinating sonorities, brought off with sustained bravura. The four players, amazing in their mutual response, huilt Cage's construction with marvellous assurance, and ill-mannered guffaws from some members of the audience detracted not at all from the work's power, all from the work's power, drawn from a massive range of drums, gourds, wood-blocks, even a conch shell, to create a thrilling sound world.

The rest of the evening was altogether less compelling. A brief and presumably comie video by Pooh Kaye showed what looked like derelicts whizzing about in "fast-forward"

hullding, Keystone-Cop fashlon. It seemed amateurish, tiresome, The Gus Solomons' Dance Company provided a thin piece of choreography for five men and a girl to pop music, mildly jovial in tone and anonymous in style. Sheila Kaminsky was seen in a solo in which she explored. I assume, a woman's loneliness against a background of distorted answering-mechine noise and pale film projections. The Gael Stepanek Dance Company embarked on what was announced as the first part of Stops along the way, which

motion in a deserted water-side

proved to be an illustrated lec-ture, low on dance content, about the contrasted sexual attl-tudes of women and men. There was talk about bodily mutilation of women (less than engrossing in its comment upon what was quaintly called "scarification") and a revue sketch illustrating passages from a sex manual dealing with copulation in the bath—which turns out to be as erotic es a cold shower.

It was, in sum, an earnest evening, and altogether too self-indulgent. Anyone wanting a reat taste of the Big Apple. rather than its pips, will do better to go to Sadler's Wells, where Merce Cunningham opened a season last night.

#### Lonely Cowboy/Tricycle, Kilburn

#### **Michael Coveney**

Whatever the impact of the Scarman Report on the Brixton community there are few signs of peace and integration in Alfred Fagon's new comedy. The new black community policemen ("Mornin' all") is as much a figure of fun as is the Rastafarian poet with his pro-mise of no more white sliced bread and the coming of the freedom trsin in the local hall. And working the ganga, or mari-juana, along the front line is the easiest way out of the dog

fight

Flight and Gina, in whose newly opened but dispiriting "Lonely Cowboy" cafe the play is set, are trying to make an honest go of things, desplte Flight's residual street habits. Outside, the police sirens wall every two minutes. A city sticker, Stanley (Trevor Butler), wins the willowy Thelma (Beverley Michaels) with his opening gambit before losing a opening gambit before losing a box of gauga to the thieving Walty (Chris Tummings). This is the first of several unlikely physical explosions; the re-ported aftermath of Stanley marauding the Brixton front line on a stolen bleycle before landing in prison is much fun-

off. The interesting point in this latest offering in the ongoing Black Theatre season is its picture of post-Brixton empty mellowness. Gina, beautifully played with snappy tolerance by Angela Wynters, wants to hear nothing of music or back to Africa" politics. The political will in Fagon's composition munity bas drained awey; even the new café venture looks doomed after seven days. None nf this prepares you for the violent upshot of knives and gunfire. But even that is more comic than disastrous. The off-duty policeman (Calvin Slmpson) sombrely takes a smoking gun in his bandkerchief. The cowboys have been having their fun egain. The

Western analogy is underpinned with the choice of music and the swagger of the drug traffickers. But the writing falls tn pieces when the deals are hastily placed in their larger organised

context or when marital partnership is renewed. Nor does Nicbolas Kent's production solve the problem of a succession of contrived and overconvenient exits and entrances. evening if the assessment of the Wally refers to "the great popularity of black poets among success of the riots" which their own people bodes ill for bave left them all much worse the proposed Black Arts Centre

#### Punch's Passion/Brighton Festival

#### **Ronald Crichton**

Way back in the 1960s the with not much left to do but Belgian composer Henri Pous-seur wrote a "mobile" opera called Votre Foust. "Mobile" meant alternative endings. The fourth of these alternatives has now been worked up, in col-laboration with the Brazilian Paulo Cesar Chagas, into a new Passion According to Punch for orchestra and four amplified

voices.

The Passion was given its British premier st an Invitation Concert in the Brighton Dome on Sunday, from the BBC Symphony Orchestra and Electric Phoenix. Ronald Zollman conducted with commendable coolnes and confidence, starting in at short notice for the indis-posed Oliver Knussen.

Punch is e parody work with literary and musical quotations. Church music, opera, and various popular styles jostle together. In this performance, at least, the large orchestra frequently drowns the words even in the mouths of the versatile (and strongly amplified) performers of Electric Phoenix. The text was not given in the festival programme, neither was the name of the author. The the name of the author. The creates exceptional resonance result was mildly entertaining, with the simplest means.

admire the adroit way the composers slip from one style to another, and wonder why they needed such a large band. The remainder was Stravinsky—the Circus Polka and Pulcinella. Neither work is an ohvious choice today for a BBC Invita-tion; an umbrella which probably attracts a smaller audience than they would otherwise draw. Both scores, however, are directly relevant to the festival theme of clowns and clowning. Pulcinella might welt claim to be the best commedia dell'arte

score in existence.
The complete beltet was given with Deborah Rees, Martyn Hill and Henry Herford as the soloists. A decent performance, with some fine instrumental detail, but not enough gusto. A suspicion of gentility weakened not only the rowdier pages but even the soprano's "Se tu m'ami." Gentility is as out of character for Stravinsky as for the good tune by Pergolesi or whomever which he bandles so enjoyably. On the other hand the fingers built excellently with the slow trio, where Stravinsky

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## Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

#### Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third set. Michael Blakemore's brilliant direction of back-stage shenanigans on tour with a third-rate farce is a key factor.

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskat-ing folly has 10 minutes of Spielberg ing folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Dis-neyland, Star Wars and Cats are all influences. Pastiche score nots to-wards not combine and the most towards rock, country and hot gospel. No child is known to have asked for his money back. (834 8184). On Your Toes (Palace): Rodgers and

Hart's 1936 musical is a genuine tonic American jazz dance collider with the Ballets Russes. Gems in-clude There's a Small Hotel, Glad to be Unhappy and the Balanchine bal-let for Slaughter on Tenth Avenue.

(437 6834). The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik May-all playing the poseur as a shricking nose-picker. Richard Eyre's produc-tion for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic burnt, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (9282252).

Other Places (Duchess): Colin Biakely and Dorothy Tutin in a reassembled

trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years, Vic-toria Station, a funny throw-back to Pinter's early revue sketches, and last year's One for the Road, a chill-ing piece of intimidatory police state confrontation with first Pinteresque

(838 8243). Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logi-cal positivists, with Paul Eddington a more earth bound George Moore Il than was Michael Hordern, Fellci-ty Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 8404, credit cards

ntimations of political despair

#### **NEW YORK**

Cats (Winter Garden): Still a sellout, Trevor Numn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (2nd Street (Majestic): An immodest

celebration of the heyday of Broad-way in the 30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates.

backstage to loneliness innorporates all the wild histrionics in between,

#### May 10-16

down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett'a latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1950s female pop group, à la Supremes, without the quality of their music. (239 6200).

The Real Thins (Physicath): After 14

quality of their music. (239 \$200).

The Real Thing (Flymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 \$200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminisences now that the Nederlander organisation has generously decided to name tion has generously decided to name the theatre after the generation's outstanding box office draw. (157 8646).

La Cage anx Folles (Palace): With some timeful Jerry Herman songs, Harvey Fierstain's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious uriginal between high-kicking and gaudy chorus numbers. (757 2626). trange Interiude (Nederlander): Glenda Jackson carries oo an appre-

ciated tradition of bringing Ameri-can classics to New York from London in this marathon production in which director Keith Hack wisely makes the asides an integral part of the conversation. Limited engage-ment ends May 5. (921 8000).

#### Saleroom/Antony Thorncroft

bomb scare which cleared the auction room. Phillips were resuming yesterday, but with the rhythm broken, and the chance that many buyers may not be able to attend the omens for what was planned as an important breakthrough sale are not too bright.

Of the lots sold, a still life of peaches and nuts by Renoir was on target at \$100,000 to a Takya dealer, but the most important picture on offer, one of Cezanne's male hathers, which carried an estimate of around balf a million dollars, was unsold. A Vlaminek village scene made \$42,000 to the same Tokyo dealer, and a small Cezanne landscape \$46,000.

Christie's Geneva sale of European porcelain, most of which was Meissen, did quite well, for a total of £502,030. Minst of the major ints found

huyers. The most interesting section was 23 figures from the famous "Cris de Paris" series. Modelled from 1753, the 36 characters representing the ley marshland, did well at street criers of Paris, was the £12,960. most extensive figure series produced at the Meissen factory. Twenty-three were offered for sum for a Rossetti drawing of sale at Geneva, including the Mrs William Morris sewing, and

Phillips first major sale of only known example of a figure Impressionist and modern carrying its date of manufacture pictures in New York on —a Peepshowman of 1756, Monday night was disrupted by which sold to the London dealer Winifred Williams for £16,819 Top price in the auction was £23,547 pald by e Munich dealer for a Meissen gold mounted chnoiserie snuff box, painted around 1728 by Johann Gregor Herold. A Meissen kakiemonsbaped toilet box, once the property of Angustus the Strong, sold for £20,183.

Christie's sale in London of English drawings and waterengusa urawings and water-colours went according to plan, with a total of £201,187; only 9 per cent unsold. A water-colour portrait by Rossetti of Elizabeth Siddal, the model who became his wife, but died within two years, was bought by Delaware Arts Museum for £25,920. The portrait carries an early dating of 1854, aix years before

Another drawing by Rossetti, of Desdemona, from Othello, sold for £15,120 (as against four guineas at Christie's in 1883). A 1907 watercolour by Archibald Thorhurn, of a duck on

Christopher Wood paid the same sum for a Rossetti drawing of

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Wednesday May 15 1985

## Revival on the European left

reasonably heppy with govern-ment by Sig. Bettino Craxi, a Socialist, though there is nothing especially socialist about the policies of his coali-

anout the policies of his coali-tion. If perpetuated this could eventually portend less vole-tility in Italian politics, but the basic pattero has not changed.

In West Germany, on tha other hand, an important change appears to be taking

place After the fall, in 1982, of the last Social Democratic

Chancellor, Herr Helmul Schmidt, his party for a long time was unable to find its feet. Its clear cul victory in North-Rhine Westphalia, following upon an equally convincing win

in the Saarland, hids fair to re-establish the party as a credible opposition and the alteroative party of national

But the Social Democrats have

some way lo go before achieving that objective, let alone before they can win a federal election. They will have to regain support on their right,

as Herr Johannes Rau, Premier of North-Rhine Westphalia, has done. Yet they must nol risk

losing too much support on their left. Thet task may heve been

simplified by the apparent de-cline of the Greens, who look more and more like the lunatic fringe of German politics.

Above all, the Social Demo-

crats will have to find an un-ambiguous defence policy. In a

aminguous defence policy. In a conservetive society, the ettempt to build a Social Democratic government upon an alliance with the "Ecopax" (ecologis' and pacifist) and upon eot! Americanism groups is bound to fail

The party leader, Herr Will

Brandt, appears lo have decide to give German social dem-

cracy a push lowards the centre. The hattle for the party's sou will occupy the rest of this year at least. The party itself and Germeny's allies could only profit if it were to bring the social formation in the second could be seen to be see

Social Democrats into e positior

where they are a credible and genuinely alternative party of

government within the historic

THE LEFT is once again scor- the electorate appears to be ing points in European polltics.
The British Labour Party has begun picking itself off the floor. In the North-Rhine Westphalian election on Sounday the German Social Democrats landed a haymaker on the Chris-tian Democrats and their Chan-cellor. Dr Helmut Kohl. But the phenomenon is not Europe-wide: President Francois Milterrand of France and Mr Olof Paime, the Swedish Prime Minister, both look groggy. The common element is that

parties in power at national level—be they conservalive as in West Germany and Britain, or socialist as in France and Sweden—are having difficulty maintaining their hold on the electorate at times of bigh un-employment and with policies of varying degrees of austerity. One of the rules of thumb of democratic policies seems to be asserting itself: voters' hearts are close to their pocket books.

#### Wage increases

How then may one explain the setback suffered by the Italian Communists In the regional elections held on Sunday and Monday? The honours went to a coalition government spreading from centre-left to centre-right which has been trying with some success to trying with some success to tidy up Italien finences and,

rather more successfully, to bring down the inflation rate.
Such rectitude, as far as it goes, is relatively new to Italians. They seem to have liked it since it has given them real ways increases. They gut real wage increases. That cut away the ground under the Communists who are campaign-ing for the restoration of potentially inflationary full

wage indexation.

Bul more specialised factors are at work in Ilaly. A wavo of sympathy after the death last yeer of their leader, Sig Enrico Berlinguer, helped the Communists for the first time to pull about of the Christian Demoahead of the Christian Demo-crats in the elections to the European parliament. That effect has worn off. The established pattern of Italian party politics has been reaffirmed which keeps the Communists tantalisingly close to power hut so far has always denied them

The novelty in Italy is that Germany.

was not even mentioned at the Bonn economic summit, few other gatherings on business or economics these days can afford to dismiss this question so cavalierly.

cavalierly.

In fact, as U.S. officials were making plain before the summil, the attitudes to tax cuts in Japan and Germany could shape the world economy for several years to coma; they could even make the difference personer a continuing economic between a continuing economic expansion, and e relapse into worldwide alump, exacerbated by protectionism and banking

WILL Japan and Germany boost their economies

by cutting taxes?
Although Mrs Margaret Thatcher assured tho

world that the word " reflation "

ory protections and beatting crisis.

On current policies, the International Monetary Fund's forecasts published two weeks ago predict, for example, that U.S. growth will drop from 6.8 percent in 1984 to 3.4 per cent this year and 3 per cent in 1986, while Germany continues to stagnate at around the 2½ percent level this year and next, and Japan falls back from 5.8 per cent growth in 1984 to 4½ per cent in 1985 and 1986. In fact, many private economists expect the slowdown in the U.S. to be much sharper from the latter part of this year onwards—U.S. growth as low as 1 percent is becoming a common forecast.

forecast. Such a relapse into nea recession in America would push world trade well below the safety threshold for developing country deht problems, to say nothing of the protectionist forces which it might unleash in Washingon before the Congressional election in November

Yet in theory, such nasty consequences could readily be avoided. Japan and Germany could implement some substantial tax cuts during the next six to nine months, thereby boosting—a year or so later—their domestic growth rales, their imports from other countries and hence their contributions to worldwide economic expan-sion. Disputes still rage, of course, about precisely how such tax cuts would work—
whether by adding to Keynesian demand or by harnessing
the entrepreneurial "supply sides" of the Japenese and German economies—but there is little disagreement among economists that growth would be stimulated by tax cuts one way or the other. If the U.S. government succeeded in reining in its budget deficits, somo countervailing action in Japan and Europe might become even more urgent

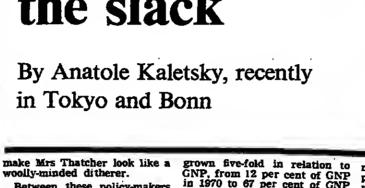
think seriously about additional tax cuts on a "contingent" basis if the U.S. and world economies continue to decelerate. For in the finance ministry and central bank hureaucracies

many and Japan sometimes

After the economic summit

# Why Germany and Japan are reluctant to take up the slack

By Anatole Kaletsky, recently in Tokyo and Bonn



woolly-minded ditherer. and some of their Anglo-Saxon

counterparts, there appears to be a kind of intellectual language barrier. Consistently successful records

consistently successful records have helped to protect the German and Japanese official from criticism or prying—on the intellectual, as well as the political, level. The habits of working with solld nationel consensus has a based in the consensus, have hred in the German or Japanese economic stuhborn, self-confidence of a master craftsman, nol the argumentative but uncertain disposition of his counterparts in the finance ministries of Britain, America, or even France. The German or Japanese official is more like a violin maker who knows from experience exactly how to fashion a perfect instrument, than a professor of acoustics who tries to analyse the theoretical underpinnings on which the craft is based. It's not the Germans' intel-

more urgent.

Accordingly, a hroad c onsensus now exists among economists, particularly in Japanese usually say nothing unless it affects them directly. The British are nearly always the most articulate economists, called "the crucial importance of expansionary policies in Japan and Europe concurrent with U.S. fiscal progress."

With U.S. fiscal progress."

lectual tradition to he too rigorous about economics. The British are nearly always the most articulate economists, and it's usually a Briton or American who gives the clearest theoretical analysis at any of our meetings," says one topwith U.S. fiscal progress."

Yet, in 'reality, it is by no means clear that either Japan official in an international organization. "The Germans someor Germany is likely to change its fiscal plans in a more expanits fiscal plans in a more expanunus scenary direction — or even to but their vague intuition—but
sionary direction — or even to but their vague intuition—but they act on them with total determination," says another.

The powerful intuition which the Germans and Japanese share today is that their countries are and central bank nureaucracies today is that their countries are which frequently have a decisative say in both these countries' debt burdens, which must be economic policies, there is a higher priority than tax cutting or even sustaining economic situation on a decade of experigrowth: public-sector deficits mentation with ideas about must be reduced. In their relentless pursuit of this objective, the hureaucrats of Germand management policies, mostly imported from America and Britain.

GNP, from 12 per cent of GNP in 1970 to 67 per cent of GNP in 1983; Germany's has more than doubled, from 18 per cent of GNP to 41 per cent in the same period. During the same period national deht hurdens in America, Britain and France have broadly stabilised or even

The contrast between these two groups of nations goes a long way to explain the hostility with which German and Japan-ese officials today respond to any proposals for international economic co-ordination which would place upon them an un-due "hurden" of stimulating world economic growth. Since the oil crisis of the mid-1970s, growth has slowed throughout the world and governments have tended to run larger budget deficits than in any previous period of peace-time history, General government deficits averaged 3.8 per cent of GNP from 1975 to 1984 in Japan and 3.1 per cent in

The growth of deficits was due to the same factors in all countries: after the first oil shock there was a widespread belief that high unemployment and slow growth would be a tem-porary "cyclical" phenomena and that governments should de-liberately offset reductions in private sector demand by cut-ting taxes or boosting public In Britain and America, how-

ever, national dehts rose little, if at all, in relation to GNP during the 1970s because of rapid debts' real capital value. Germany and Japan, on other hand, inflation was kept under control, while government deficits were allowed to rise even higher than in America and Britain because these countries' previous records of high growth encouraged greater optimism about

proportions—and this is a point which Germans and Japanese, with their bitter experiences of byper-inflation in the 1920<sub>5</sub> and 1940<sub>5</sub>, never tire of making. For this reason, they are not much impressed by the many sophisticaled calculations which can made about "optimal" debt GNP ratios or claims that narts of their debts are really illusory—for example, because around one-third of Japan's gross national debt is actually held by the government through

OF FISCAL

POLICIES

the social security funds.

They do, however, stress another theoretical argument: thal debts will compound aulo-matically into an ever-larger share of national income as long as real interest rates are higher than a nation's real rate of economic growth.

This means that the high interest rates which they feel

are imposed on their economie by America's excessive hudget deficits limits even further their room for fiscal manouevre.
"If I was a businessman, I simply wouldn't think it was a good idea to borrow at real interest rates of 6 per cent to finance an economy which may not grow much faster than 4 per cent in the future-and think it would be wrong to do this as a public servant either," says one Japanese official.

But the objections to deficit-

financing and the accumulation of ever-greater debts seem to go even deeper. The roots of the problem ere felt lo lie in the 1960s, well before the economic slowdown hit hoth Germany and

thinking. We started to expand the government share of the economy — and half of it or more we allowed to be financed by deficits, instead of taxes," says Dr Hans Tletmeyer, State Secretary and chief macro-economic official at the Ministry greater leisure.

growth and thereby become partially self-financing; this was even more true in Japan than in Germany. But when the world economic slowdown atruck in 1974, the firmly conservative consensus on economic decision-making built up in the early 1960s had been dented. "It was only around 1966 that

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we introduced sophisticated economic policies; until then economics was seen as a joh for craftsmen. Unfortunately those sophisticated policies on demand management were only applicable to specific circumstances and while I wouldn't want to do away with all the ideas we learnt, we heve paid a great price for using them in the wrong situation," says Count Otto von Lambsdorff, the former German Economy Minister.

The measurement of this price in terms of excessive levels of national deht appears to heve transformed political, as well as economic, thinking in both Japan and Germany. German officiels heve become

masters at explaining the under-lying "structural" reasons why their current 2.5 to 3 per cent their current 2.5 to 3 per cent growth rate is really quite adequate for a country at Germany's level of social development — and certainly does not call for any significant stimules: beyond a the revery limited tax cuts already planned for the 1986 and 1988 fiscal years. They cite with apparent satisfaction the fact that Garmany's population is now make much headway in the near futre. As one German politician says, Mr Gerhardt Stoltenberg, the Finance Minister, is at present so careful that if he was moving a house he probably wouldn't let himself take out a mortgage."

The Germany's and Japanese, however, do not seem unduly concerned about the danger that fiscal tightening in America for a reduction in unemploy-ment. They speak with unex-pected enthusiasm about the environmental constraints on environmental constraints on est rates would fail, investment economic growth and even ebout would become more attractive the German people's under-standable desires for ever-standable desires for ever-

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profitchly to deploy its vast mestic savings and its political damaging current account sur conventional Keynesian economics would attribute to con-tractionary fiscal policies. Because Japan has caught up technologically with America and Europe, profitable invest-ment opportunities are bound to have diminished, it is said. Because the population is aging, it inevitally favours saving over consumption.

OVERNMENT

DUTSTANDING

Some Japanese admit that certain macroeconomic imbalances could be reduced if the government spent more on public investment. Even if this investment had to be financed by extra taxes, it would tend to raise output because Japanese taxpayers currently save as much as 25 to 30 per cent of their incomes. But there is strong emotional resistance even to such balanced-budget policies: Japan may be short of housing, roads and sewers, but it also lacks the land on which to hulld them, officials and privete economists repeat with re-markable unanimity.

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Against such deep-rooted caution, efforts at international sent "so careful that if he was huying a house he probably wouldn't let himself take out a .....

"In the late 1960s there was a structural change in our economic the workforce as the best hopegest stimulus to their own economic to a shrinkage in fizzle out, and with it the highestorie as the best hopegest stimulus to their own econfor a reduction in unamplote. America

their capacity to grow out of finance. On the hesis of prelemand management policies, cyclical deficits.

Unfortunately history sugund Britain.

Japan's national debt has

# Mr Pym breaks a mould

political

THE formation of the Conservative Centre Forward nor, indeed, whether such e
Group under the leadership of concept is possible in the real
Mr Francis Pym will deserve world. Mr Francis Pym will deserve at least a footnote in British political history. The Conservative Party has always prided itself on the fact that it does not form groups: dining clubs, yes, but groups were for the Labour Party or for Tory supporters who operate mainly outside Parliament, such as the Bow Group. Mr Pym and his friends have broken a mould the political part of the party few weeks will be a supported to the political party of the party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party few weeks will be a supported to the political party of the party of the party of the party few weeks will be a supported to the political party of the party o

ceal their disagreements better.
Still, Mr Pym has moved a step forward by hringing the obvious discontents of sections of the party more into the open. He would not have done so if be did not believe that the Conservatives, the Government rates, and the country face very at is serious problems.

#### Less persuasive

Some of the language in his article in the Daily Telegreph yesterday and in his Oxford speech last night is extremely atrong; for example, his claim that under six years of Mrs Thatcher's premiership "we Thatcher's premiership "we have endured the decimation of our industrial base, yet have emerged as uncompetitive as we started." Again: "We came to power committed to reduce unemployment over time. Yet It is now nearly three times higher then in 1979." No government can afford to take such charges lightly, especially when lhey come from its nominal supporters and—on employment at least—happen 10 be eccurate.

Mr Pym's proposed remedies, however, are less persuasive. He calls for substantial reductions in employer's nalional insurance contributions. The Government has been doing that steedily over the years. Ho wents greater investment in the public sector. The Government alreedy invests quile heavily, though Mrs Thatchor does not always like to say so. He demands a coherent policy lo- of the tax system and dewards the exchange rate, but ing the market economy.

rucial, partly because so many decisions will be made which will determine what goes into the Conservatives quarrel internally like any other political party, whether over the coro laws, tariff reform, membership of the European Community or, nowadays, unemployment. They just conceal their disagreements better.

Still, Mr Pym has matter that much next few weeks will be crucial, partly because so many decisions will be made which will determine what goes into the Queen's Speech in the autumn. The Government lost much of this year because of its autumn. The covernment lost much of this year because of its autumn. The covernment lost much of this year because of its autumn. The covernment lost much of this year because of its autumn. The government lost much of this year because of its autumn of this year because of its autumn. The government lost much of this year because of i from the House of Lords. It cannot afford similar embarrassments in future over half-baked attempts at reforming the social security system or domestic

It is in trouble, too, over the teachers. There are times when a government must lead. Sir Keith Joseph, the Education Secretary gives the impression that he thinks the teachers will come back to the negotiating table this year, next year, some-time, never. That is beginning to look damaging politically.

#### Recovery time

Yet the fect remains that Mr Pym would not have spoken as he has if he did not believe that there was something seriously wrong. There is Two years into its second lerm the Government's prospects for winning a third do not look as hright as they should. It has begun to look a messy administration, nol always competent, bogged down in the details of ill-thought-out legislation, even accident prone. And it has ceased to appear radical.

should preferably be short and should concentrate on legisla-tion which genuinely advances the Government's central objectives. Mrs Thatcher was elected to be radical, not to tinker with the status quo. She could do that by returning to the reform of the tax system and develop-

#### Irish style wins Petrolux

At lunch on the 20th floor of Baring Brothers yesterday, Michael Whelan, the founder and managing director of Aran Energy, showed no sign of the strain of the frantic negotiations of the previous night.

At midnight he had snatched control of the British oil company, Petrolex, just 15 hours hefore the closing date of an agreed offer for Petrolex by Saxon Oil Saxon Oil. The £15.8m Aran bid came as complete surprise to the City

of London, much to Michael Whelan'a elalion. "All Hell hroke loose when it was discovered that the cavalry had ridden in from the west," he said. "We aimed to come in at lhe end, before anyone had heard whet Aran was

up to." Whelan, a 52-year-old Dubliner, learoed about oil in his days as e lawyer with Shell Oil, Shell's U.S. subsidlary, and

he developed the idea of an ell-lrish oil company in 1972. It came lo him following a long period in hispital after a seri-"When I came out of hospital

"I know you call yourself a centro forward—which side are you playing for?"

#### **Men and Matters**

with the plan everyone assumed were less than half those of four that 1 had suffered not merely years ago; its return on equity concussion, hut permanent is one of the lowest in the hrain damage," he says. Thirteen years later Whelan's

audacious plan to snatch Petrolex from Saxon, a much bigger company than Aran, was equaly mystifying, even to the optimistic Irish.

"They were offering 50 to 1 against the deal going through, even amongst our own advisers in Duhlin," says Whelan, who concedes: "It was very hairy. The merchant hanks in London told me they had never been in-volved in anything like it."

#### Team games

Since news brok eof Francis Pym's dissident band of liberal Tory backhenchers—officielly launched yesterday as the Con-servative Centre Forward group —I have been trying to recall where I heard that tillo before.

Then it came to me.
Centre Forward was the title
of a book published in 1978
and subtitled: A Radical Con-Servative Programme.
The author?—An Incorrig-

name of Rhodes Royson.

His opus followed one hy Sir lan Gilmour, entitled: Inride

Right.
And the next move . . ?

#### Mobil moves

After a decede and a half in power the top management team is changing at Mobil Cor-poration—and on Wall Street they are wondoring whet difference Allen Murray will make to the lumbering giant of the oil industry.

Chosen to succeed chairman Rawleigh Warner early next

industry. At first glance, Murray, 56. contrasts strongly with the Princeton-educated politician Warner. Murray came up the hard way. He started work at Gulf Oil as a 75 cents-an-hour mail-room clerk, switching to Mobil after he had been passed over for a special training pro-gramme. He went to college at

night while working by day as an eccountant Murray, say the industry's observers, is much more akin to William Tavoulareas, the to william lavoulareas, the combative ex-president of Mobil, who stepped down laat year. Both men have been described as "street-wise" New Yorkers. But whatever the change in personal background and style. the early signs are that Murray

is not going to run things very differently from before. Murray says he is not sur-prised by the current upheavals In the U.S. oil business, describ-ing them as "the normal thing which happens in e mature

industry."
He expects Mohll lo continue lts slimming—but believes most of the major surgery has already taken place; and he "is not pre-pared to write off Europe" where the company has been losing money on its downstream operations.

Mobil will also maintain ils special relationship with Saudi Arahia, h says-but not again hy paying above markel rate lo lift its crude

Murray admits to being more optimistic than many in the oil husiness. Mobil will be producing more oil and gas in a he asked. few years than it is today, he predicts confidently. "Oil is still the biggest business in the ment of the Environment." yeer. Murray takes over at a world and is going to alay that low point in the company's fortunes, Its earnings last year years."

#### Space at last The long wall is nearly over for

two veteran members of Nasa's astronaut squad. They have been hanging eround for 18 years for their first trip beyond the atmosphere.

Anthony England and Kari
Henize, both career scientists,
joined Nasa in 1967, thirsting

to sample the joys of a trip into space. Sadly for them Ameri-ca's space programme stagnated for more than a decade after the first moon landing. Flight opportunities were few and far

With the successful development of the space shuttle. manned missions are now taking place roughly once a month. Henize and England, now aged 58 and 43 respectively, will get their chance to join a seven-strong crew which is due to fly in July.

It must be galling for the duo that others have jumped ahead of them. David Leestma, a relative youth of 36, who entered Nasa's 90-strong astro-naut team in 1980, grahbed his first flight after a wait of only four years. Still more maddening must be

the fact that two non-Americans will be journeying on a shuttle next month, several weeks before the patient pair. Patrick Baudry of France, and Sultan Salman Abdelazize Al-Saud of Saudi Arabia, will fly as guests of the American Government along with five Americans. That will be the first space flight to involve people from more than

Henize, however, may be com-forted by the thought thet his name will appear, at least for a the oldest person of enter space.

#### Unfriendly

A London journalist got a wrong number this morning.
"Are you Friends of the Earth?"

Observer

#### BASE LENDING PATES

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THE £30m UK ZIP MARKET

## The teeth are bared

By Nick Garnett

THE ZIP fastener is ubiquitous in nylon-coil zippers, never pro-in modern life. A low tech perly structured its managemuch fascination as a door handle. Unless the claps breaks, the teeth snag or the zip tears, no one pays it a moment's

Yet this simple device has become a pertinent symbol of the strains and tensions exerted

than in the toe-to-toe stugging wards fast. Over the next few match between two modern years Talon closed its only UK plants battling for the £30m manufacturing site and scores of amaller companies went to the wall.

of Runcom's industrial estate in Cheshire, VKK, the Japanese giant of the zipper business with 45 per cent of world sales, churns out 2.5m zippers a week for a 55 per cent share of the

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Built four years ago at a cost of £5m, Optilon's plant demon-strates two things. One is its ability as a European manufac-

pleted nine years before Opti-stop and of YKK's never-end-lon's the Japanese-owned plant ing hunt for profits, Runcorn, can produce 35 per cent more along with most other YKK sites

in modern life. A low tech perly structured its management, lt commands as the property of the UK, for example, the group continued its management. It commands as ket by 1970, the US, manufactured its management.

turer Talon taking 30 per cent. This cosy carve-up was shat-tered in 1972 when YKKK Zip Fasteners UK began production. Within four years it had an astonishing 40 per cent of the market. "They had better products and were more efficient by the Japanese on European we simply couldn't cope," says manufacturing and the stresses self-imposed by the Japanese on their insatiable quest for higger profits.

We simply couldn't cope," says Martin Hall, Optilon's chairman. "By 1976 it was crisis time," Panl Wiler, the commercial director recalls. The Opti group's share simped to 40 per the commercial director recalls. Nowhere is this more evident cent and was heading down-than in the toe-to-toe slugging wards fast. Over the next few

Opti subsequently rationalised in the UK and is heing forced to do so in Europe where employment has dropped hy more than a half in eight years to 2,300, excluding France, where its programs we being for a 55 per cent share of the British market.

From the even more anaesthetised environment of Peterlee New Town, Durham, Optilon, part of the Anglo-German Opti group, the world's number two, has successfully stabilised its market share at about half that of its Japanese competitor following a disastrous slide in the 1970s. But the pressure never eases ment structure was completely

When the new Peterlee plant of £5m, Optilon's plant demonstrates two things. One is its ability as a European manufacturer to wriggle away from extinction in some of its prime markets and then successfully to defend itself.

when the new reterate plant came on stream, Optilon's share ability as a European manufacturer to wriggle away from extinction in some of its prime markets and then successfully to defend itself.

defend itself.

The other is that the competition offered by the Jepanese through engineering capability be able to maintain its market and sheer organisational skill at maintaining production momentum is so mercless that the European company has had no time to snatch its hreath since its recovery.

Though the first stage of YKK's Runcorn plant was completed mine years before Opti-

lon's the Japanese-owned plant ing hunt for profits, Rancorn, can produce 35 per cent more along with most other YKK sites output. With a 25 per cent in Europe, is now also productions and plantic three times as much profit while paying its manual workers about 140 mose per week.

The Opti group, formed in the 1960s as a partnership between the zipper interests of IMI with the lighting fastener and those of the Heilmann family, strong Price. Its managing director.

the lighting fastener and those in arresting decline, Colin of the Heilmann family, strong Price, Its managing director,



"Well, we're always on the look-out to diversify into new

quality and price. The question

looking decidedly hollow,
Now the dust has settled,
Eddie Blackwell, Transport
and General Workers' Union

district officer, believes the undercurrent of discontent ex-pressed by some of the strikers was an aberration and the real issue was simply pay, settled by an 8.5 per cent deal. The Runcorn plant is back in

rice kuncorn plant is back in production, demonstrating its high operating efficiency. It employs 220 in zip chain and seaparte zip making, notching np a £15m turnover, less than 10 per cent of which derives from selling imports. Option by contract

imports. Optilon by contrast, employs 120 more with a turnover £5m less, though some of its Cleator Moor operation feeds other Opti plants. The figures

acknowledges that it cannot company's own patented EC21 manufacture as efficiently as system. Normally polyester, YKK, though matching it on cotton or nylon tape is first weeved, then a spiral of teeth is produced separately and in a is why?

YKK has had its headaches in Runcorn. The month-long strike over pay earlier this year came as e rude shock to both its local Japanese and British managers.

Racial taunts from the picket line left the "cycle of goodness" company catchphrase of YKK's founder, Tadao Yoshida, looking decidedly hollow

JKK possesses. But this more edvanced than anything YKK possesses. But this advantage is in an already lowmanning area. In the down-streem business of cutting the

zip chain, processing and pack-aging which is much more labour-intensive, YKK's machines are years abead of Optilon's, YKK also has machines which carry out automatic pack-ing though It tends not to use them beceuse they take up too much floor space.

Mr Hall concedes that Opti

cannot yet make such advanced machines and could take five years catching up with YKK lities. "All supervisors are technology. He is comforted, technically competent, respontations, by what be sees as a sible for machine performance rapid slowing down in the pace and produce quality," says Mr of YKK's technological im- Berry, provement. "We think YKK is A me are somewhat distorted because tyrk contracts out some of its packaging.

Engineering, size and attitudes encapsulate some of the differences.

The Opti group claims a major advantage in the upstream chain-making operation in which Cleator Moor uses the integration of the contract of t

The interiors of the two plants certainly look different. Optilon's has a slight air of a modern textile mill with people at work stations. Runcorn looks more functional, closer to a production line in e can-making

• The sheer size of YKK, which manufactures in 40 countries and has over half the U.S. markct (Talon has about 25 per ceo!), and 40 per cent of the European (the same as Opti, with the Finnish Salmi and the Swiss Riri taking much of the rest) gives it a strong edge. In Japan it manufacturers its own yarn and extrudes metal.

Mr Yosbiaki Watanabe, chairman and managing director of YKK in Britain, claims this integretion does not automatically deliver cost benefits to its plants abroad because they are encouraged to buy locelly. It does allow YKK to ehoulder a large research programme, how-ever. A couple of hundred people ere employed in re-seerch and development at Toyama, Japan, though some of this activity is geared to the company's construction busi-

lt also provides a substantial base to power YKK's invest-ment programme, even though each plant is responsible for generating its own profits which stay within the host country. It has recently expanded in Portu-gal end Denmark and has anmounced a major investment at Macon, Georgia. Back at Ruo-corn, film is being invested in new production mechinery for

the moulded zip.

The impact of attitude differences is hard to assess. YKK has a single canteen used by the manual workforce, manag-ers and technical staff, seven of whom are Japanese. Its supervision structure is also non-traditional. With a chief plant operator, chief technician er, semor staff have dual supervisory and technicel responsibi-

A more time-honoured atmos

## The urgent need for a co-operative effort

Aid to Africa

By Timothy Raison

BY NOW, most people realise themselves are often in disarray that as a response to the terrible famine in Africa emergency relief is essential, but that it will not solve the problem. We still need to work flat out to deal with short-term needs—in particular, to trans-late the substantial pledges into ectual food on the ground. But we also need to get to grips with the underlying long-term

Twenty years ago India faced similar massive problems, yet today Indie's agriculture is transformed and has become the springboard for sustained economic development.

Reforms heve been undergraphic.

taken, or are underway, in several African countries, with stertling results. Malawi, stertling results.



Zimbabwe and Ghana are heading this year for greater grain harvests. Zambia has turned its back on the policy of "King Copper" and is making a determined effort to put its agriculture right. Kenya and Tanzania are looking at marketing reforms, and Tanzania bas now aised produce prices consider-

can reinforce this new mood by providing the country and its farmers with the means to operate effectively and by searching out new answers to the problems posed by more the problems posed by more dramatically over the last 15 years. In 1972 we were supporting over 7,500; today, only 1,650. As management strains to the problems posed by more dramatically over the last 15 years. In 1972 we were supporting over 7,500; today, only 1,650. As management strains

aid, we supply much that the commercial farmer wants in spares for agricultural machinery or fertilisers Also needed are programmes of research and development into food crops which demand

less water than traditional varieties. National research has gone sadly downhill in many African the country,

for want of finance and motivetion. There is no point in pro-ducing water-efficient crops if the farmer cannot be guided as to when to plant them so that they survive or how to protect them from his goats. Then there is management

and development of buman resources. Africa is now threetened by the huge relative cost of spreading general education and has been unehle so far to turn it to good economic effect. The thirst for modernisa-tion, and the desperate desire to secure a regular paid job-any job -- for their children, drive parents to make great personal sacrifices. But the truth is that only a very small minority of pupils will eventually be required, or he able, to staff the modern section of the economy, including

service.

come to feel that we should concentrate our educational aid — particularly the teachers, training scholarships and equipment we provide—on key institutions which will have a critical impact on the quality of the system. Traditionally, around half of our expert manpower in Africa has gone to education, and bas been deployed most often in the secondary schools. Now we are concentrating more on the teacher training colleges and the technical and higher education institutions.

Looking more widely at

We in Britain have recently

apparent, we are now trying to intensify the impact of those expatriates who are still needed. The accent bas more and more to be on huilding up local training institutions, where many people can be reached and where the work takes place in the conditions of

aignificant change. Onr chief direct assistance is in trying to improve infrastructure - road maintenance, for instance, and the operation of railways and ports. But British aid is also paying indirectly for many re-current items — replacement machinery for example — for which the countries concerned cannot afford to allot their own foreign exchange.

The last, but most important, item on the agenda is the revi-sion of public spending and investment plans. Here, above all, is the realm where ell donor agencies and nations need to pull together, so as to strengthen the country's own attempts to impose a consistent discipline on its public activi-ties. This co-ordination makes



demands on both sides. donors may bave to abandor or postpone commitments to new investments of commercial or political importance. They may have to substitute fast spending, flexible aid for the plossy new factory. They may have to belp with local or re-current costs, contrary to their usual policies. They may have to make new aid pledges.

But the African country concerned must also often put cherished projects and nonone side. It must pass up the opportunity of playing one source off against another. It must listen to arguments about the need to allow for opera-tional as well as wage spending in the recurrent budget. It must discuss openly alternative policy options which it might often much rather keep to This process is difficult: but

it is vital for all concerned to see it as a co-operative effort and not as a necessary but un-pleasant wrangle. We can make real headway: indeed we must. countries, and it has also all too The efficiency of industry, real headway; indeed we must.

often broken the vital link with and especially parastatal enter The author is Miinster for Overseas the extension services — which prise, is also an area needing Development.

#### Job-keeping bodies

From Lord Kaldor Sir,-Samuel Brittan's article

on wages councils (May 13) reminded me of e lecture by the late Professor R. H. Tawney (one of the shrewdest social observers of his generation) on the effect of the introduction of wages councils for fixing minimum wages in the East End clothing trade in 1910. Prior to this, the industry contained a number of resasonably efficient firms which auffered from the intrusion of e large number of parasitical firms who were highly inefficient but could nevertheless compete with the old-established firms by making use of sweated labour — immigrants from Russia who were paid absurdly low wages. The introduction of minimum wages forced these parasitical firms out of business, which in turn enabled the efficient firms to expand, and increase the total output on account of a reduction in average and marginal costs and in prices. Hence mini-mum wages had highly benefi-cial effects on industrial efficiency without adverse effects on employment, since they also led to a large increase in pro-duction and sales at lower

This happened before World War I. The figures quoted by Mr Brittan refer to 1950-81 a period that was many years after the introduction of miniout of line with the decline in employment in the textile and clothing industries in general after World War II. The letter declined from 1.5m to just over 600,000 — a reduction of 59 per reduction quoted by Mr Brittan from the employment market research unit report for the same period.

The policy advocated by Mr Brittan amounts to the advocacy of lower productivity as a remedy for unemployment. He ignores that the free exploita-tion of lebour is equivalent to a subsidy to inefficient em-ployers whose presence narrows se presence narrows the market for the efficient

(Professor) Nicholas Kaldor. King's College, Cambridge.

#### Poor pay problem

From Mr M. Kuczynski

Sir.-Certainly it is difficult to argue that, all other thinga being equal, lower pay for par-ticular occupations will actually destroy jobs there. But this does not mean that, while lower pay takes care of jobs, the redistributive tax eystem take care of poverty Michael Prowse on his objective

## Letters to the Editor

of competition—in particular from imports.

from imports.

Unfortunately, expansion of competitive low - productivity activities does not bring a commensurate expansion in the tax base (for reasons which Ricardo neetly encapsulated in bls "a tax on wages is a tax on profits" of 160 years ago), and so the possibilities of redistribution through the tax distribution through the tax system are blocked—a problem well-known in poor countries.
M. G. Knozynski, Pembroke College, Cambridge.

#### Women at

work

From G. Tongue, MEP Sir.—Samuel Brittan's dia-tribe (May 13) on the abolition of wage councils is yet another example of a self-opinionated male reducing issues of women's

The whole article is an insult to British women who, Mr Brittan obviously needs reminding, have the same right to work under British and EFC law as do men.

employment to the social scrap

Huge numbers of women are already marginalised in having to take low paid jobs and cer-tainly do not want to be further degraded by having their wages topped up by social security.
They want and have a right to decent living wage and equal

pay for work of equal value. Carole Tongue. 84. Endsleigh Gordens, Iljord, Essex.

#### People's pensions matter

From Messrs M. Field and S. Luon

Sir,-We were members of the inquiry into provision for retirement set up by the Secretary of State for Social Services in November 1983. The inquiry was advisory in nature; it completed its work at the beginning of this year but was not required to prepare a report. In advance of the publication of the Government's paper on the outcome of all the social security reviews we feel inhi-bited from commenting on its possible contents. We would, however, like to congratulate

(Samuel Brittan, May 13). analysis (May 2) of the future Lower pay promotes employment in lower productivity occupations, which would not otherwise survive in the face involved are complex and cannot be defined solely in terms of state versus private provi sion. Evidence submitted to

> dantly clear. Marshall Field, Stewart Lyon. c/o 35, Woodhall Drive, SE21.

inquiry made this abun

#### Worst of all situations

From Mr J. Harsant Sir,—The state earnings related pension scheme has introduced a complexity into pensions beyond all reas pensions beyond all reasonable expectation, a complexity which has undoubtedly been acting to the disadvantages of those in contracted-out schemes. It was therefore with some relief that I learnt of the Intention to terminate this scheme.

To learn now (Way 9) that

To learn now (May 9) that the earnings related pension scheme is to be phased out slowly seems to introduce the worst of all possible situations and will result in chaos for many years to come. I deplore this decision, which I feel can only be ill for all those invoived. John D. Harsant. Horsant Steward, Chichester House,

Chichester Street, Chester. Houses to

From Mr M. Taylor
Sir.—Mr B. Crofton, of the
GLC Housing Department (May
8), in his reply to Dr Graham
Hallet, states that the shortage
of housing to rent is less due to rent control than the econo mics of bousing supply. To understand the economics of bousing supply it is necessary to distinguish between two types of economic variable—a stock and a flow.

The reason we have rent controls while the suppliers of nearly all other products and services can cherge what the market will bear is because housing to rent is largely sup-plied from a stock. Thus the state can prevent landlords from cutting off the supply by giving tenants and their surviving dependents security of tenure. If it tried to fix the price of products which flow from a production line at substantially below cost, suppliers | J. Davison

would simply stop production and the product would become unobtainable except on the black market.

beve continued while declining have died, the flow on to the market of new tenancies at controlled rents has stopped altogether. The existence of alternative long-term investments for landlords' capital is a red herring. Alternative in vestments existed prior to 1916 There were also plenty of bouses to let at reuts people could afford. This is not the case today. Michael Taylor,

10, Green Wolk, Hampton,

#### The Bosporus bridge

From Mr D. Dixon

Sir,---When tenders were Sir,—When tenders were opened for the first Bosporus Bridge it was revealed that Clevelend Bridge and its German partner had quoted 6.8 per cent below the Jepanese. What was not revealed was that the quotation had 27 qualifying clauses largely relating to the capital requirements of the contractor. It took five months of bard negotiation to clinch of bard negotiation to clinch the contract. At this stage IHI of Japan approached Cleveland to see if there were any crumbs of work to be thrown to them This time Cleveland and its partners are 18 per cent above the Japanese who moreover have arranged through their Italian partner a long-term \$30m credit from SACE. Cleveland is now approaching the Japanese for crumbs from their

How things change! It remains essential however to quote, or at least to appear to quote, the lowest price in the first instance. I should know; I negotiated

the contract and was managing director of Cleveland throughout the successful construction of the first one. D. C. C. Dixon. The Manor, Carthorpe, Bedale, Yorks

#### A name for all reasons

or memorable names.

From Mr J. Davison Sir,-The forthcoming priva tisation programme—gas, water, buses and airlines—can be expected to give birth to a plethora of new regulatory bodles, preferably with catchy

May I set the ball rolling with the suggestion of OGRE (Office of Gas Regulation and Economics) for the body which will oversee the activities of 100% payment at time of shipment of ECGD insured value of sales.

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# **FINANCIAL TIMES**

Wednesday May 15 1985



Rupert Cornwell in Bonn on the continuing battle over President Reagan's visit

## German opposition denies anti-U.S. bias

day, West Germany's opposition So-cial Democrats (SPD) yesterday angrily rejected renewed charges from the ruling centre-right coalition that their party had now swung nn to a sharply anti-American tack. In the 48 hours since the vote in

the country's most industrialised and populous state, the SPD's alleged hostility to Washington has now emerged as the most emotive and sensitive domestic political is-

Any doubt on this score was banished by the way the issue dominated what was supposed to he a routine four-hour parliamentary de-bate in which Chancellor Helmut

Aran wins

**Petrolex** 

with last

minute bid

By Dominic Lawson in London

ARAN ENERGY, an Irish oil and

gas exploration group, has snatched control of Petrolex, a UK oil compa-

ny, with a £15.8m (\$20m) bid only hours before the closing date of an agreed £13.8m takeover of Petrolex

by Britain's fast-growing Saxon Oil.

as a white knight to save Petrolex

from a hotly contested £11.8m bid from Clyde Petroleum. Clyde had it-self narrowly failed in a bid for Sax-

Aran began its attempt to buy

control of Petrolex late last week,

but admitted yesterday that its own

advisers felt the venture had little

But after lobbying Petrolex's in-stitutional shareholders, Aran had

However, Mr Micbel Unsworth,

oil analyst at brokers Scott Goff

Layton said: "People are astounded

at the high price Aran has paid. Pet-

rolex shareholders can't believe

Mr John Heaney, Saxon's chief ex-

Panel. Queensbury rules bave not

been observed in the past few

Mr John Lee of the Takeover

he conceded "This is most unusual.

We cannot think of another occa-

sion when an agreed bid was shut

The swoop has also caused a sen-

sation in Ireland. Mr Whelan said

yesterday that it was the first time

an Irish company bad taken over a

foreign quoted company since ex-

hange controls were imposed in

1978. This prevented Irish investors

from buying non-Irish equity, and

Mr Whelan said that be needed

"special permission from the Irish

central bank" before the manoeu-

Aran has interests in 60 per cent

of all Irish oil and gas licences, but until now bas had a stake in only

one North Sea block. Petrolex's

main attraction is its stake in RP's

To finance the share and cash of-

fer of five Aran shares and £5.80 cash for every eight. Petrolex shares, Aran has bad to prepare a

two for five rights issue to raise

If Aran's shares were to fall from

last night's close of 37p (down 6p) to

16p, Saxon's bid would become more attractive. Saxon is likely to

re-open its offer, despite the "irre-

vre could be attempted.

out on the final day."

on two years ago.

chance of success

auction it likes so much

Last month Saxon had emerged

visit had been an historic confirmation of German-American friendthe controversy surrounding the U.S. President's journeys to the Bitburg military cemetery and Bergen-Belsen concentration camp had done "more harm that good" to West German standing in the world, and to its relations with the

Herr Vogel and Herr Willy Brandt, the Social Democrat chairman, again rounded on the Chancellor for his remark on Sunday evening - which provoked a furious row with Herr Brandt - that the

BY IVO DAWNAY IN BRUSSELS

West Germany yesterday pressed

the European Commission to bend

its farm price proposals towards meeting Bonn's demands, in a high-

ly unusual intervention by an EEC

As the Community's farm minis-

ters' sixth negotiating session was again running into deadlock, Chan-

cellor Kohl sent a telex to M

Jacques Delors, the European Com-

mission President, calling on the

Commission to accommodate

Bonn's dogged refusal to accept any

"The question of price reductions

for the German Government is a

tant interests for our agriculture

and our economy are at stake," he

Herr Kohl went on to appeal to M Delors to do "everything possible"

to belp West Germany over the ce-

matter of principle, and very impor-

cut in the price of cereals.

bead of government.

insisted that the SPD was as aware ship was heatedly rejected by Herr as anyone of what Germany owed Hans-Jochen Vogel. The SPD parties U.S. "We are friends and allies Hans-Jochen Vogel. The SPD par-the U.S. "We are friends and allies liamentary leader maintained that of the American people – but not vassals of the present administration," he remarked, in pointed reference to the frequent accusations of submissiveness towards Washington on Herr Kohl's part.

Contributing to the SPD's ran-cour is resentment over the refusal of Mr Reagan to see Herr Brandt as precedent and protocol would normally dictate - during his six days in West Germany earlier this

But the eagerness with which the Christian Democrats have seized full co-operation was nn offer, lead-

Meanwhile, in Brussels Herr Ig-

naz Kiechle, the Bonn Farm Minis-

ter, was fighting a rearguard battle to dissuade Sig Filippo Pandolfi, the Farm Council's Italian president,

from bringing the issue to a vote.

Such a move would present West

Germany with a clear choice of

wielding the veto by citing that "vi-tal national interests" are at stake

or face being outvoted by a quali-fied majority. Council officials told

journalists early yesterday that

Herr Kiechle has already clearly warned Sig Pandolfi in bilateral

talks that he will use the veto if the

ister was angry at this revelation,

together with Herr Kohl's careful

avoidance of a veto threat, bas led

to speculation that Bonn might ulti-

mately allow itself to be overruled.

Bonn is already suffering intense

But reports that the German min-

issue is brought to a vote.

Kohl calls on Commission to

revise farm price proposals

in grain prices.

CHANCELLOR Helmut Kohl of of giving a clear threat to veto cuts

ANXIOUS TO permit no blemish on their sweeping election victory in North Rhine-Westphalia on Sun
The Chancellor's claim that the SPD was now in the grip of "primitive anti-Americanism."

SPD was now in the grip of "primitive anti-American issue is proof of the anti-American issue is proof of how they regard it as a vote-winner, which might offset their disastrous Bonn's options were examined at showing in North Rhine-Westphalia where economic themes dominated the campaign. The SPD, for its part, is well aware of its potential vulnerability on the score.

> The debate is now largely over-sbadowing continuing deliberations on possible direct German involvement in research on the U.S. space-based Strategic Defence Initiative (SDI), an issue over which the two main parties here are also at odds.

Herr Kohl yesterday repeated that Bonn believes that a go-ahead by the U.S. is fully instified. But West Germany would only make up its mind when it was convinced that

veto, Yesterday, Herr Rudi Arndt,

chairman of the European Parlia-

ment's socialist group, described

the Government's position as

He said: "The Federal Govern-

ment bas always condemned the ve-

to and called it anti-community

With the behaviour of Herr Kiechle

who even stresses the Chancellor'

support, the development of the

Community towards European

The farm ministers spent most of

vesterday in bilateral talks in prep-

aration for what was expected to be

another all-night session, but the in-

dications suggested that the Ger-man appeals had fallen nn deaf

Mr Frans Andriessen, the Farm

Commissioner, returned to the

meeting vesterday with a firm dec-

laration that be did not accept that

his plan for a 3.6 per cent cut in

grain prices conflicted with Bonn's

scandalous.

union is torpedoed."

a high level meeting between minis tries and companies that could be involved with SDI last Monday. Afterwards Herr Wolfgang Schäuble, Minister of State at the Chancellery, stressed that the point had not been reached yet where decisions "can and have to be made."

A team of West German experts will travel to Washington to examine the SDI more closely. In the meantime Bonn is consulting its European allies. But Herr Schäuble warned that the U.S. might simply go over the heads of governmen and approach companies directly.
U.S. moves to dispel SD1 fears,

Page 4; Editorial comment, Page 20

## Australia faces cuts in spending

By Michael Thompson-Noel

AUSTRALIA'S Labor Party Gov erument yesterday announced spending cuts totalling AS 1.3bm (\$909m) in the coming financial year - signalling its determination to rebuff opposition charges that it was addicted to high spending and

high taxes.
At the same time Mr Paul Keating the Treasurer (Finance Minister), told parliament that the recent sharp devaluation of the Australian dollar meant that exports were expected to grow faster than imports in 1985-86. His measures were seen as an important boost for business. and Australian share markets

reached record levels yesterday. "Rather than subtracting from economic growth as it has this financial year, the external sector could add a percentage point or more to GDP in 1985-86," he said.

tire seven years of the Fraser Administration." The cuts announced yesterday affect forward spending estimates for 1985-86, and will secure savings over the full financial year starting July 1. Mr Keating said that with the aim of seeking further savings the Government would continue to review all spending plans until the

Programmes affected will include industry assistance and develop-ment (A\$204.1m), transport and communication (A\$180.6m), social security and welfare (A\$127.2m), and housing (A\$112.7m).

full budget was settled in August.

Real growth in defence spending will be cut from 4.5 per cent to 3.1 per cent, saving A\$84m. There will be an increase in health prescription charges, and reduced assistance for first time home buyers. Mr Keating also announced a re-view of funding of national broad-

The Treasurer repeated the Government's main policy commit-ments - that in 1985-88 and over its three-year term, tax revenue and government spending would not rise as a share of GDP, and that the federal budget deficit would he reduced in money terms in 1985-86 and as a share of GDP over the

> Stock market reaction, Section III

## **BASF** in deal with United

Continued from Page 1

The U.S.'s seventh largest manu facturing group, largely assembled by Mr Gray in an aggressive series of takeovers in the 1970s, UT's activities include Pratt & Whitney En-

tension of its activities in a key region, as well as a major strengthening of its position in the coatings

It noted that through the deal if ink in turnover terms.

THE LEX COLUMN

## Heavy going for Sears

As if the first-day premium or British Aerospace were not enough, at 44p, the City of London's lust for privatisation stocks spread - rather fancifully - to the gilt-edged mar-ket. Thoughts of an early redemp-tion to pave the way for British Gas served to warm up the price of Gas 3 per cents, which made an improb-able appearance as speculative glamour stock of the day.

#### Sears Holdings Unlike Debenhams, which some-

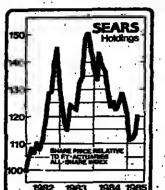
how retains the alture of a bid stock even after yesterday's disavowal from Burton, Sears has found it from Burton, Sears has found it hard to do much in recent months that can actually lift the valuation of its shares. Too big to buy, or to transform at one go by any but the most extravagant of deals. Sears is evidently fated to climb the rating ladder only by slow degrees. A prospective multiple of 10 shows how steep it is finding the climb. At least Sears figures for the year to January - showing profits before tax up 10 per cent to £175.2m - did nothing vesterday to set the shares back: yesterday to set the shares back: they fell 1p to 93p. The only disappointment in these

figures was a continued poor per-formance from Butler Shoe in the U.S., which has shared in the recent troubles of American retailing overstocking, markdowns and turnbling margins. Yet this should be outweighed by the success of Sel-fridges, the expansion of the Olym-pus sports chain, and by the signs of renewed vigour in British Shoe, which has got over its problems with cheap plastic footwear, and is setting about the task of sharpening and separating the marketing identities of its many chains: badge engineering is on its way out of the

All in all, the thing which could get Sears the most stock market mileage is the re-focusing of its own image, through such things as put-ting the group name on its charge card and over the door in new multi-store developments. If Sears can at length suggest that it is less of a conglomerate, more of a retailer dropping the "Holdings" tag on the way - there should eventually be something to show for it in the share price.

#### General Accident

Distressing bulletins from the U.S. have been such a feature of the composite insurers' quarterlies that the City has had little time for local the fate of such a small North Sea difficulties. But if Royal last week company could employ so many of showed that the U.K. motor account the City's most expensive advisers



was not the most rewarding of busiesses, General Accident yesterday hammered the point home with a £8m deterioration in its first-quar ter motor result - a full three times the increase in its U.S. underwrit-

What is happening on the U.K.'s roads is not at all clear; but whether it is more driving or worse driving, or merely protected no-claims chickens coming home to roost, the dramatic increase in claims frequency since last mid-summer. shows no signs of abating. Unlike Royal, General Accident did well to hold back losses in the rest of the U.K. business. Yet this will scarcely affect relative views of the two companies when all the recovery action is in the U.S.

Here, Royal is favoured because of its proportionately higher expo-sure to commercial lines, where rates are hardening nicely. General Accident remains overexposed to personal business, and particularly the weakening personal auto ac-count, Despite tempting U.S. agents with trips to Perth - or perhaps be-cause of that - this business continues to be written. The City has written off 1985 as a

year of transition for the composite Even after a £9m retained loss, and with dollar assets shrinking on translation into sterling, Ger Accident could still show some capital appreciation for the quarter.

#### Aran/Petrolex

zumping and the replacement of one agreed bid by another, but that for so long. Shareholders in Petrolex have, in any event, got more likely when Clyde started the auction. But investors in Aran, the successful bidder, may end up wondering why they have paid so much after the dust has settled there is going to be a lot of Aran paper floating around, and it may be no easy thing to keep the share price how-ing respectable.

Aran's justification for the deal is its wish to explore in the North Sea which would become tax-efficien given the Forties production it is getting through Petrolex. This optiistically assumes that Aran and Petrotex both get something worth-while out of the Ninth Round, and that its cash flow will meanwhile be sufficient to make best use of the Petrolex tax shelter in exploration. If things do not work out to the letter, there is a risk that Aran will be seen to have paid too much for pro-duction that it cannot use, and it may then be little consolation to have cut such a dash in putting together the financing package.

#### Land Securities

French

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Brown Boy

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Marie Comment

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Land Securities' 1984-85 results showed clearly yesterday how much more important it is for a property company to be growing its assets fast than to be showing lots of earnings. Pre-tax profits, up 14 per cent at £95.6m, were some £2m. or £3m above expectations, but the net asset value per share of only 401p knocked 14p off the shares, which closed at 297p.

The market was puzzled by the revaluation surplus growing by only 4.6 per cent compared with 8.6 per cent the previous year, when demand was supposed to have been weaker. No explanation is forthcoming - one can only speculate that Land's less desirable propertinsurers and it makes little difference whether General Accident's valued on a higher yield basis. The first quarter £18m loss turns into a valuers may also have been relucted on a £50m profit for the year. ket when they assessed the proper-ies at the end of March; which means that the evidence of the last couple of months would probably push the asset value up by another

Meanwhile, the end-of-year bal-Perhaps the oddest thing about just over 10 per cent. While this the Petrolex saga is not that it end-ed in an episode of midnight ga-shareholders may fairly complain about the company's conservatism. Perhaps when rates have fallen a little, Land will launch a zero-coupon - an instrument that seems tailor-made for a property developer.

#### by midnight on Monday received reals prices question. It was noted, criticism, both at bome and abroad vital interests. bowever, that his message fell short for its contradictory stand on the EEC coal subsidies dispute. Page 3 irrevocable undertakings to accept the offer from bolders of 51.7 per cent of the equity. The crucial stake was the 6.4 per cent beld by Ozoco, a Houston based oil company, Mr Michel Whelan, Aran's maraise \$2.5bn' naging director, said yesterday: "We went for a last round shut-out, so the City could not start the Dutch

for Texaco By William Hall in New York

Getty Oil assets when it completes day on an early prepatory meeting the planned sale of another \$300m - for a new round of multilateral \$400m of assets that it acquired fol- trade negotiations, but kept alive lowing its \$10.1bn purchase of Getty | hopes that such a meeting could be ecutive, said yesterday that he was extremely disappointed. "We are go-ing to make a stink at the Takeover

Mr John McKinley, Texaco's chairman, told shareholders at yesterday's annual meeting in Atlanta that the price of the Getty assets sold so far was about \$900m over their book value. Mr McKinley said Panel said last night that the deal contravened none of its rules. But that when the \$2.5bn is deducted from the Getty purchase price it is apparent that Texaco has acquired an enormous amount of proven reserves around the world at a very attractive price.'

Mr McKinley used yesterday's annual meeting to defend Texaco's recent poor performance relative to other U.S. oil majors. Its return on equity has dropped from 19.7 per cent in 1980 to 7.3 per cent last year.

He noted that Texaco has closed or disposed of 12 of its 29 refineries around the world, concentrated on oil and gas exploration and avoided nassive investments in minerals shale oil and coal liquefaction. The group's market share of the

important gasoline market has been strengthened. Texaco says thet it now has a 10.8 per cent share of the European market, 12 per cent of the Canadian market and 14 per cent of the Latin American market. In the U.S. it has 13 per cent share of its preferred markets and an overall 7.5 per cent share.

Texaco shareholders have seen their shares fall from a high of \$54.40 in 1980 to around \$37 currently, but Mr McKinley emphasised that each share is backed by 22 barrels of oil equivalent - "one of the highest figures in the industry."

vocable" undertakings received by

## Hopes linger on for meeting on Gatt date Mr. Keating told MPs. that Australia's non-farm economy grew by 5.1 per cent last year, against 2.6 per cent in 1983, adding that growth during the first two years of Mr Bob Hawke's Labor Government "will match that achieved during the entire seven years of the Frence Adv. Getty sales 'to Hopes linger on for

BY WILLIAM DULLFORCE IN GENEVA

TEXACO, the U.S. oil company, will SENIOR GOVERNMENT officials have raised \$2.5bn from the sale of failed to reach agreement yester-SENIOR GOVERNMENT officials convened before the end of the

> Representatives of the developing countries, which have been opposing a new round of talks, agreed at the end of a two-day session at the headquarters of the General Agreement on Tariffs and Trade (Gatt) to seek new instructions from their governments. They beard detailed explanations from the U.S. and the European Community of their plans for the global ne-

A significant factor in persuading the developing countries, in particular India and Brazil, not to veto new trade talks was an assurance from Mr Leslie Fielding, director general for external affairs in the EEC Commission, that the EEC would not oppose the inclusion of farm

products as a subject for negotia-After President François Mitterrand's resistance to American pres- out in favour.

sure at the Bonn economic summi for an early decision on the trade talks. It bad been assumed that France was trying to keep the EEC's Common Agricultural Policy off the negotiating table.

It is understood that the developing countries were also given assurances of unilateral action by the industrialised nations to remove some trade barriers to developing country imports before a new round of negotiations. The most likely field for such action would he in textiles and clothing.

The Americans had been press ing hard for a meeting of senior officials in July to prepare for the trade negotiations. After the meeting of the Gatt consultative group of 18 countries yesterday the earliest possible date for such a preparatory exercise would seem to be Septem-

Among the 18, who represent a cross-section of Gatt's 91 members, all the developed countries supported the idea of a new round. Poland. speaking on behalf of Gatt's four East European members, also came

## Finsider aid approved

BY PAUL CHEESERIGHT IN BRUSSELS THE European Commission has

given the Italian Government austate steel producer, LAbn (\$2m) in

An announcement yesterday noted that conditional permission had been given for the subsidies in June 1983. But it has only been recently that the Commission has accepted that the subsidies were justified by

Although LAbn has been un-blocked, the Commission is withthorisation to pay Finsider, the holding authorisation for about an-

The Italian Government has been criticised in the past by other EEC governments, notably that of West Germany, for what was seen as a laggardly approach to restructuring within the common policy of ridthe progress of restructuring at Fin- ding the EEC steel industry of subsidies by the end of this year.

other Libn until it is convinced of Finsider's future viability

# **Technologies**

three-year term.

gines, Sikorsky helicopters, Carrier air conditioners and Otis elevators. It earned \$645m in 1984 on sales of \$16.3bn, and in the first quarter of this year had net income of \$137.6m and sales \$3.92bn. The sale of Inmont will leave it with about \$3bn in cash and short-term assets. Jonathan Carr in Frankfurt writes: BASF said the purchase of the Inmont group meant an important ex-

and dies sector. was firmly establishing itself in the world's biggest market for coatings and printing ink - that of the U.S. Moreover, internationally Immont was the major supplier of printing

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# World Weather

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## Egypt hope for progress

Continued from Page 1

Since Mr Peres took over as Prime Minister last September there has been a marked improvement in Egyptian-Israeli relations. The visit to Cairo last month of Mr Ezer Weizman, the special ministerial envoy, assisted the process, and he predicted then that there would be a summit meeting soon between Mr Mubarak and Mr Peres.

Dr Meguid also saw positive developments in the peace process. ing to the return of the Egyptian Egypt's Foreign Minister revealed that King Hussein of Jordan would visit Cairo on Monday for talks with President Mubarak before going to the U.S. for a meeting with President Ronald Reagan.

David Lennon in Tel Aviv writes: If the Cairo talks are successful, is-rael is also confident that they will be followed by a summit meeting between Mr Peres and President Mubarak. The Israelis will agree to arbitration to resolve the Taba dispute if attempts at negotiation or conciliation fail.

Israel's agreement to arbitration will be conditional on Egypt agreeambassador to Tel Aviv; improved trade relations; permitting a search for the bodies of Israeli soldiers lost in action; and resolving a dispute concerning Palestinian refugees in the divided town of Rafah

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Wednesday May 15 1985



## Montedison cuts loss and sales rise 14%

BY ALAN FRIEDMAN IN MILAN

chemicals, health care and energy company, achieved a sharp reduc-tion in consolidated group losses, to L836n (542.5m) for 1984. This compares with a 1983 loss of L322bn and a record 1982 deficit of L859bn.
The company said it expects to make a new profit for the whole of 1985. Sales in the first quarter of this year were up by 14 per cent.
The L83bn loss, struck after deducting L88bn of profit attributable to minority interests from a L5bn net income level, represents a aignificant improvement in the fortunes of the Milan-based industrial giant. Sales last year totalled L12.382bn,

up 18.2 per cent on 1983. Montedison also yesterday an-nounced a plan to increase share capital for the first time since 1981. Shareholders will be asked to ap-prove a LH3bu rights issue, which will increase group share capital to L1.110bn. The last time Montedison

MONTEDISON, Italy's leading bad to be taken up by bank under- was a 52.9 per cent increase year writers.

The planned new total share capital of Li.110hn comperes, with Montedison total group indebted-ness of 14.344bn at last December 31. This debt level was up from L4.111bn at the end of 1983, but Dr Lino Cardarelli, group finance di-rector, pointed out that debt servicing.costs last year of L729bn represented 5.9 per cent of total revenues, against a proportion of 6.7 per

Dr Cardarelli said Montedison last year restructured part of its debt, shifting from short-term to medium-term and from fixed to floating rate debt. At year-end 24.8 per cent of total debt was short-term, down from 37 per cent in 1983. Of total debt L748bn represented bond issues and the rest bank loans; roughly a quarter of total debt was in currencies other than the lira, much of this trade fi-

on-year. The group said all compa nies were in profit except for Farm aplant, the fertiliser business which made a L25bn loss. Amortisations of L539bn were subtracted from the operating group profit. Cash flow last year rose by 1.221bn to L877bn.

A geographical breakdown of Muntedison turnover shows that Italy accounted for 63 per cent of sales. Other countries in Western Europe 17 per cent, North America 5 per cent, Eastern Europe 4 per cent and overseas areas 11 per cent. In the industrial products area, exports accounted for 44 per cent of total revenues.

Dr Cardarelli said the group's op-

erating profit includes income from the Himont polypropylene venture with Hercules of the U.S. The group also announced plans to go ahead with a L100bn issue of fixed-interest convertible bonds. Of

made a rights issue, for L640bn, the group was in the throes of a financial crisis and the issue flopped and on's 1984 profit was L1,304bn, which this issue, Goldman Sachs is to make a private Euromarket placement of L30bn.

Under the consortium proposals, the 24 investors are proposing to resell their holdings in Conrail to the public over a period of time. Once these divestments are completed, no individual investor would bold more than 40 per cent of the railway group.

launches

rival bid

for Conrail

By Terry Dodsworth in New York

A CONSORTIUM of 24 U.S. compa-nies yesterday unveiled a \$1.2hn bid

for Conrail, the Government-owned

freight railway company, in an at-

tempt to thwart the proposed sale to the Norfolk Southern Railroad

The consortium was put together

by Morgan Stanley, the New York investment bank, which said yester-

day that the offer would save the

Government \$600m in taxes com-

pared to the bid made by Norfolk

There was no immediate re-

sponse to the new proposal from

Mrs Elizabeth Dole, Secretary of

the Transportation Department

and an enthusiastic supporter of

the Norfolk Southern offer. But the

intervention of the consortium is

bound to make it more difficult for

the Government to achieve the

agreement of Congress to a bid

which has caused controversy from

Southern.

Morgan Stanley said the group includes CSX, another railway company, along with Citicorp Capital Investors, a subsidiary of the Citicorp banking group, Columbia University, Harvard Management, Princeton University, Dreyfus Corporation, T. Rowe Price Associates, U.S. Steel and Carnegie Pension.

The \$1.2bn offer price put on Conrail by the investor group is the same as the bid from Norfolk Southern. Morgan Stanley, however claims that because of different tax treatment for the two bids the consortium offer will yield a higher financial return to the Gov-

#### That issue bad looked tightly priced when it was first launched. with a 111: per cent coupon and a 10-year life. But yesterday it was trading within its 2 per cent fees, at around 98%. tal commissions. Syndicate managers were unable The World Bank is again employto tempt other borrowers into the

Consortium New York bond market

market though, as treasurers are hoping for even lower interest rates In the floating rate note market

BY MAGGIE URBY IN LONDON

ahead. Merrill Lynch took the op-

portunity to increase its deal for

Citicorp, launched last Friday, from

100m to \$150m.

United Gulf Investment increased the four-year issue for Mir Finance Irom \$50m to \$60m. Credit Suisse First Boston set the

final terms for American General's S300m convertible issue. The cou-pon was fixed at the lower end of Kansallis-Osake-Pankki, the ma-

A FURTHER rally in the Eurodol- the indicated range, at 6% per cent jor Finnish bank, was the latest lar bond market was sparked yes- and the put option after five years borrower to tap the currently terday by a strong rise in the New will be at 119% to give a yield of strong European currency unit Eu-York bond market Gains of % to % 10.03 per cent. The conversion price point were seen in fixed rate issues was set at \$40% per share, a 21.8 per has a seven-year life and the couand recent issues were moving coot premium to the previous closnon was set by lead manager Banque Paribas at 9% per cent, with ing price. The issue was trading

around par yesterday.

A \$100m convertible issue for Casio, the Japanese electronics group, was launched by Daiwa Europe. This has the usual 15-year life with a 3 per cent coupon indicated. It traded at a discount of around 1% per cent, inside the 2% per cent to-

sparks Eurodollar rally

ing the savings banks of Europe to arrange borrowings, following its multi-currency borrowings in April. Bayerische Landesbank launched a DM 200m six-year private placement yesterday with a 7½ per cent coupon and 99% issue price. At the same time Sparekassen SDS launched a DKr 200m issue with a

be lead manager. seven-year maturity and 11% per

International bond service, Page 24

The D-Mark Eurobond market

was firmer too yesterday with sec-ondary market prices up by 4 point

on average. The weaker dollar

Swiss franc foreign bonds were unchanged although the tone re-

mains positive and some issues

moved up. Kyushu Electric Power's SwFr 100m 10-year issue, which has

a 5% per cent coupon and a 99% is-

sue price, closed its first day'a trad-

public issue for Minebea, the Japa-

Expected today is a SwFr 120m

issue price of par.

ing at 99%.

again belped sentiment.

Cigna to raise \$300m Euroloan

By Peter Montagnon in London CIGNA Corporation, the U.S. insur-

ance group, is raising \$300m through a three-year loan facility in the Euromarkets led by Credit Suisse First Boston and Morgan Guaranty. The deal will allow Cigna to raise

money through the sale of short-term Euronotes or by asking banks to bid for short-term advances. Banks in the facility will also provide a backstop credit line for an annual fee of 10 basis points.

If drawn the credit will bear in terest at a margin of 10 basis points over the London interbank offered rate for drawings of \$150m or less and 20 basis points if higher amounts are taken.

Separately Security Pacific Ausnese ball-bearing business, with tralia said it launched a \$200m, equity warrants. Credit Suisse will three-year facility under which it will issue certificates of deposit with maturities ranging from one to twelve months.

## French deal for Norsk Hydro

BY PAUL BETTS IN PARIS

to be showed. NORSK Hydro, the diversified Norwegian energy group, is to take con-trol of Cofaz-Sopag, France's second largest fertiliser company. The deal is a significant new step

in the Norwegian group's efforts to establish a presence in the fertiliser business. It also reflects the determination of Total, which holds 54.9 per cent of Cofaz-Sonag, to concentrate on upstream oil and gas activi-

Cofaz, with sales of FFr 4bn (\$427m) last year, is 34 per cent held by the Paribas banking group, and 11.1 per cent by the Rhone-Poulenc chemicals concern. enc chemicals concern.

Both Total and Parihas have

agreed to sell their stakes in Cotez

Poulenc ia still considering its posi-

The transaction still requires the approval of the boards of the respective French groups as well as of the French Government. It would represent an interesting disinvestment by the French state sector to a and making a big effort in the U.S. foreign group - Total is 35 per cent beld by the French Government and both Paribas and Rhone-Poulenc are state owned. Norsk-Hydro is also understood

to be seeking to take over the fertiliser operations of Veba, the West German oil group,

Total's decision to sell its majority stake in Cofez to Norsk Hydro is chemicals industry.

to the Norwegian group. Rhone- the first major move taken by the French oil group's new chairman, M Francois Xavier Ortoli, who recently outlined his broad strategy. This will essentially consist of recentring Total on traditional oil and gas activities, increasing exploration and production expenditure

> Total this week reported higher earnings of FFr 1.7bo for 1984.

Cofaz, which lost FFr 340m in 1983 and FFr 155m last year and is hoping to break even this year, was originally linked with Total as part of the Socialist Government's complex restructuring of the French

#### Pharmacia operating results climb 23%

BY DAVID BROWN IN STOCKHOLM

PHARMACIA, the Swedish Turnover improved 26 per cent in pharmaceuticals and blotechnology the pharmaceuticals and diagnosgroup, increased its operating re- tics division, with especially strong 171m (\$19.2m).

Sales climbed 25 per cent to SKr cent increase in sales. 838m, helped by higher volume and favourable exchange rate developal of its Crescomon drug, the group ments. However, operating costs rose at a slightly higher rate.

SKr 182m, up 19 per cent from the corresponding period last year. ry approval in the UK for its Salazo-Capital expenditure rose from SKr pyrin raeumatoid arthritis treat-78m to SKr 118m.

sults after depreciation during the improvements in the ophthamology first quarter by 23 per cent to SKr and infusion products units. The 171m (\$19.2m).

sticks by its previously published forecast of a 20 per cent rise in full-Somewhat lower net financial in-come produced a pre-tax result of er growth in sales.

Pharmacia has received regulato-

#### **Deutsche Bank set for** another year of growth

BY JONATHAN CARR IN FRANKFURT

DEUTSCHE Bank. West Germany's Commission earnings bad been after raising credit volume and profits in the first quarter.

Dr F. Wilhelm Christians, one of the two speakers (co-chairmen) of the managing board, said partial operating profit was up by 10 per cent compared with one quarter of the full result for 1984.

Although the interest margin (the difference between interest earned and paid) had fallen, the bank had ing average business volume by 8

biggest commercial hank, looks set particularly buoyant, rising by 14 for another year of steady growth per cent, Dr Christians told the annual sbarebolders meeting in Düsseldorf yesterday.

Profits from the bank's trading on its own account bad been lower than the unusually high result achieved in the comparable period of 1984, Dr Christians said.

Nonetheless full operating profit (including the results of own account trading) was still slightly more than made up for this by rais- higher in the first quarter of this year - both in the parent bank and the group.

#### Brown Boveri forecasts improvement

By John Wicks in Dättwil BROWN BOVERI, the Swiss engineering concern, expects an improvement in consolidated sales

and earnings this year.

Mr Franz Luterbacher, chairman of the parent company, said turnover should "show a marked increase" in 1985. Last year, sales had risen by 5.2 per cent to a record SwFr 11.2bn (\$4.34bn).

This was, however, due solely to the acquisition of the Italian SAE concern, a leading company in the field of power line construction. Without this takeover, group sales would have shown a slight decline.

Consolidated profits were expected to increase further, said Mr Luterbacher. Last year the Brown Boveri group showed a net surplus of SwFr 85m. Earnings would have been some SwFr 16m higher had exchange rates remained at 1983

The SAE transaction contributed about one quarter to the improvement in profits and something approaching a half to the group's 40 per cent increase in consolidated

According to chief executive officer Mr Pierot Hummel, the ratio of adding that the ratio should be 7 per cent or more. New-order volume in 1985 is seen

as remaining at about last year's level. This rose in 1984 by 18.4 per cent, however, to SwFr 12.43bn. b so som and Swfr b so a50m and SwFr 500m this year, compared with SwFr 382m in 1984.

"Significant improvements" were recorded in the U.S. operations, though BBC Brown Boveri of White Plains continued in the red.

# **AEG** set to lift profit

BY JONATHAN CARR IN FRANKFURT

AEG-TELEFUNKEN, the West German electricals concern, expects its operating profit this year to exceed the 1984 level of DM 100m (\$32.6m) on world sales roughly stable at about DM 11bn.

The company also believes it can make another marked cut in its net financial liabilities from last year's figure of DM 849m - itself less than half the DM 1.6bn level of 1983.

is making steady progress back to financial health after the massive

years ago. But Herr Heinz Duerr, chief executive, stressed that although the company bad "left the valley of tears," profits were still not high enough and more improvements had to be made, especially abroad.

cern at managing board level that AEG'a progress might awaken ex-cessive expectations among both

cash flow to sales improved last tion settlement" with its creditors year from 4.4 to 5.8 per cent. This on time last September, under was still unsatisfactory, he said.

no major expansion undertaken.

Last year AEG had total earnings of DM 630m - made up of the DM 100m operating profit (after DM 40m in 1983) and big extraordinary earnings, mainly in connection with the sale of a subsidiary.

Of that total, DM 395m is being

losses and near-collapse of a few

There was no question of a dividend payout before 1987 at the earliest.

the company's banks and workforce.
AEG met the terms of a "composi-

other 40 per cent.

Details released by AEG show it

The low-key tone of the an-nouncement is felt to reflect con-

of its debts but had to pay back the

The board is known to feel strongly that financial consolidation must continue at least through 1986, meaning all available profit will be ploughed back into AFG and

and cut liabilities

recorded as net profit, which is being put in open reserves, and the remaining profit into extra provision ons and a special reserve

against 12.6 per cent in 1983 - and

in virtual sales stagnation. After fast turnover growth, not-

proved performance last year but two sectors - automation engineering and office equipment - suffered unexpected setbacks.

Iraq. AEG says the losses are covered in full in the 1984 accounts and will not affect the 1985 figures.

for general risks. The consolidation policy is reflected both in AEG's stronger capital base - equity capital made up 23.3 per cent of the parent compa-ny's balance sheet total last year

ably in the 1970s, which was not matched by a comparable boost in earnings, the rule now is that "prof-it must come before sales." Last year world sales were actually down by 4 per cent to DM 11.01bn. Almost all AEG's divisions im-

In the first case AEG lost around DM 100m on projects in the Middle East - notably on electrical installations at a university and bospitals in Saudi Arabia and at schools in

In the second case the office equipment subsidiary Olympia, in which AEG has a 51 per cent stake, made bigger losses than expected -just over DM 70m in the world group and DM 53m in the parent company. It is understood that these losses have also been covered in full in the 1984 accounts, although this was not announced.

AEG is hoping to bring Olympia back in the black (though almost

certainly not this year) with a new

leadership team beaded by Dr Karl

Ernst Kalkbrenner.

# brings Dome

DOME Petroleum, the debt-burdened Canadian energy producer, has successfully raised C\$121m (U.S.\$88m) in new equity through an international offering delayed several times by fears of an unre-

ceptive market. Dome said yesterday that 27.9m units, each comprising a common share and a warrant for half a share, were sold to three interna-

Dome's parlous financial position precluded a public share offering, an official at Dominion Securities Pitfield, the lead Canadian underwriter, said that the issue was about 1% times oversubscribed. He described the completion of the share issue as "one more step down

for Dome.

The infusion of new equity satisfies a condition laid down by

Dome has suffered losses of CSI.7bn in the past three years following an acquisition spree in the late 1970s which was abruptly end-

## Share offering nearer stability

tional underwriting syndicates, with its affiliate, Dome Mines, tak-

the road to financial respectability"

ed by the slide in world oil prices and higher interest rates. The com-

in Canadian energy policies

Dome Canada, in which Dome Petroleum holds a 48 per cent stake, increased its first-quarter net earnings from C58m to C\$10.4m or from 9 cents to 12 cents a share. Revenues rose from C544m to C553.2m.

By Bernard Simon In Toronto

ing up 8.1m units.

Despite earlier concern that

Dome's creditors earlier this year as part of an agreement rescheduling over 80 per cent of the company's C\$8.4bn debt.

pany had a negative net worth of C\$420m at the end of 1984.

Completion of the rescheduling agreement encouraged Dome to proceed with the share issue. Another factor was a recent relaxation

All these Bonds have been sold. This announcement appears as a matter of record only.

April 26, 1985

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May 15, 1985, London By: Citibank N.A. (CSSI Dept.), Agent Bank CITIBAN(

## Schering sales ahead

SCHERING, the pharmaceuticals largest single market, Dr Pohle and chemicals group based in West said. Turnover in the U.S. last year Berlin, boosted turnover 17 per cent made up more than 20 per cent of in the first quarter of the year to group sales, Schering's U.S. subsidi-

other good year, after what he called a very successful 1984 making up 41 per cent of group Earnings last year rose 72 per cent to DM 138m, and the dividend is to

Schering's diversification continturnover, compared with 52 per cent-10 years ago. Agro-chemicals be raised 3 percentage points to 24 sales, which have been greatly boosted by the acquisition of FBC in The U.S. has now overtaken West the UK, are now nearly as high as Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V. Banque Nationale de Paris

> Banque Internationale à Luxembourg S.A. Caisse des Dépôts et Consignations Crédit Lyonnais Genossenschaftliche Zentralbank AG - Vienna Merrill Lynch Capital Markets Nippon European Bank S.A.-LTCB Group

Al-Mal Group Banca Commerciale Italiana Banca Manusardi & C. Banca Nazionale del Lavoro Banco di Roma Bank America Capital Markets Group Bank Gutzwiffer, Kurz, Bungener (Overseas) Limited Bank Ippa Bank Mees & Hope NV Bankers Trust International Limited
Banque du Benehux S.A. Banque Bruxelles Lambert (Suisse) S.A. Banque de Commerce S.A. Banque Crèdit Commercial Banque Degroof S.C.S. Banque de Limembourg S.A. Banque Paribas Belgique S.A. Banque Française du Commerce Extérieur Banque Générale du Luxembourg S.A. Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft Banque de l'Union Europeanne Baring Brothers & Co., Limited Bayerische Vereinsbank Aktiengesellschaft Berliner Handels- und Frankfurter Bank Caisse Centrale des Banques Populaires Caisse Générale d'Epargne et de Retraite/Algemene Spaar- en Liftrentelcas Commerchank Aktiengesellschaft Compagnie Monégasque de Banque Crédit Communal de Belgique S.A./Gemeentekrediet van België N.V. Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg (Banque de l'Etat) CERA-Centrale Raiffelsenkas CV-Belgium Citicorp Capital Markets Group Creditanstalt-Bankverein County Bank Limited Crédit Agricole Dai-Ichi Kangyo International Limited Crédit Industriel et Commercial de Paris Crédit du Nord Credito Italiano S.A. Dewfan N.V. Dominion Securities Pitfield Limited Den norske Creditbank (Luxembourg) S.A. Dalwa Europe Limited Fuji International Finance Limited Dresdner Bank Aktiengesellschaft Enskilda Securities Skandi riska Enskilda Limited Hambros Bank Limited Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft Goldman Sachs International Corp. IBJ International Limited Istitute Bancario San Paole di Torino E. van Lanschot Bankiers N.V. Kleinwort, Benson Limited Kredietbank N.V. Lloyds Bank International Limited Mitsubishi Finance International Limited Samuel Montagu & Co. Limited Lazard Frères et Cle Morgan Stanley International Nederlandsche Middenstandsbank nv Nederlandse Credietbank nv Morgan Grenfell & Co. Limited Pierson, Heldring & Pierson N.V. Orion Royal Bank Limited The Nikko Securities Co., (Europe) Ltd. Nomura International Limited Postipankki Privatbanken A/S Rabobank Nederland Salomon Brothers international Limited Shearson Lehman Brothers International Société Nationale de Crédit à l'Industrie/Nationale Mantachappij voor Krediet aan de Nijverheid Société Générale Alsacienne de Banque, Luxembourg Union Bank of Finland Ltd. Svenska Handelsbanken Group Takugin International Bank (Europe) S.A. Sparekassen SDS United Oversess Bank (Luxembourg) S.A. Westpac Banking Corporation Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited Yasında Trust Europe Limited

Westdeutsche Landesbank Girozentrale



U.S.\$125,000,000

THE MORTGAGE BANK AND
FINANCIAL ADMINISTRATION AGENCY
OF THE KINGDOM OF DENMARK
(Kongeriget Danmarks Hypotekbank og Finansforvaltning)
Guaranteed Floating Rate Notes due 1999 Series 95
Redeemable at the Noteholders' Option in 1996
unconditionally guaranteed by

BY LESLIE COLITT IN BERLIN

DM 1.4bn (\$458m) as a result of aries also contributed DM 34m to strong sales abroad. Earnings were earnings, which he noted were bol-described as "somewhat higher" stered by the strong dollar. A rethan in the same period last year. cord 82 per cent of sales came from Dr Klaus Pohle, spokesman for abroad. the board, said all signs point to an-

Germany to become Schering's those of pharmaceuticals.

#### NOTICE OF REDEMPTION TO HOLDERS OF

#### **BANQUE NATIONALE DE PARIS**

Kuwaiti Dinars 10,000,000

73/4 per cent. Bonds due 1989

Fourth Mandatory Redemption Due 15th June, 1985 Of Kuwaiti Dinars 1,000,000

NOTICE IS HEREBY GIVEN that, pursuant to condition 5 (A) of the above mentioned Bonds, Kuwait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 15th June, 1985, at 100% of the principal amount thereof through operation of the Sinking Fund, Kuwaiti Dinars 1,000,000 principal amount of said 7½% Bonds due 15th June, 1989, bearing the following distinctive oumbers:

00281-00322	02959-03000	06092-0613
00472-00513	03387-03428	06559-0660
00589-00630	03799-03840	06801-0684
00776-00817	03944-03985	07575-0761
00959-01000	04117-04158	08163-0820
01217-01258	04519-04560	08777-0881
02631-02672	04880-04921	09340-0938
02739-02780	05316-05357	09787-0982
02/02 02:00	00010 00007	-03/0/70384

The Bonds specified above will become due and payable in Kuwait Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, or, at the option of the bearer, but subject to applicable laws and regulations, at Citibank, N.A., 336 Strand, London WC2R 1HB and at Banque Nationale De Paris (Luxembourg) S.A., 24 Boulevard Royal, Luxembourg by cheque drawn on a Kuwaiti Dinar account, with, or by a transfer to a Kuwaiti Dinar account maintained by the payee with, a bank in Kuwait. From, and after, 15th June, 1985, interest on the above mentioned Bonds will cease to accrue.

Bonds should be surrendered for payment together with all unmatured coupons appertaining ereto, failing which the face value of the missing unmatured coupons will be deducted from the

The aggregate principal amount of Bonds remaining outstanding after 15th June, 1985, will be Kuwaiti Dinars 6,500,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of

Dated: 15th May, 1985

All of these Securities have been offered outside the United States.

New Issue/May, 1985



### U.S.\$100,000,000

#### **Toyo Trust Asia Limited**

11%% Guaranteed Notes Due 1992

Guaranteed as to payment of principal and interest by

The Toyo Trust and Banking Company, Limited

Toyo Trust International Limited

Salomon Brothers International Limited

BankAmerica Capital Markets Group Banque Nationale de Paris

Chase Manhattan Capital Markets Group

**Citicorp Capital Markets Group** 

**Enskilda Securities** 

Kidder, Peabody International Limited

**Lloyds Bank International Limited** 

**Merriil Lynch Capital Markets** 

Morgan Guaranty Ltd

**Nomura International Limited** 

Société Générale de Banque S.A.

The Taiyo Kobe Bank (Luxembourg) S.A.

Bankers Trust International Limited

Lehman Brothers International

SanwaInternational Limited

Baring Brothers & Co., Limited

Chemical Bank International Limited

**County Bank Limited** Goldman Sachs International Corp.

Kleinwort, Benson Limited

**Manufacturers Hanover Limited** 

Samuel Montagu & Co. Limited

Morgan Stanley International

**Prudential-Bache Securities International** Swiss Bank Corporation International Limited

S.G. Warburg & Co. Ltd. Wood Gundy Inc.

These securities have been sold outside the United States of America and Japan. This anno

**NEW ISSUE** 

30th April, 1985



## A/S JYSKE BANK

(Incorporated in the Kingdom of Denmark with limited liability)

U.S. \$40,000,000

Partly Subordinated Floating Rate Notes Due 1994 (with the right to subordinate in full)

Issue price 100 per cent.

Nomura International Limited

Merrill Lynch Capital Markets

**BankAmerica Capital Markets Group** Takugin International Bank (Europe) S.A.

Swiss Bank Corporation International Limited Yasuda Trust Europe Limited

Banque Indosuez

Banque Bruxelles Lambert S.A.

Finanz- & Investmentbank AG

#### INTL. COMPANIES and FINANCE

## Canada expects BT to toe line

By Bernard Simon in Toronto

THE Canadian Government ex pects British Telecom to comply with local production and other undertakings given in recent years hy Mitel, the telecommunications equipment manufacturer in which BT proposes to take a cootrolling

The C\$320m (\$233m) acquisition, announced last Friday, has raised fears in some quarters that Canada will lose much of the knowhow deone of the country's leading hightechnology companies. There is also concern that BT will transfer much of Mitel's manufacturing capacity elsewhere, with a consequent loss of jobs to Canada.

Mr Sinclair Stevens, Industry Minister, told parliament in Ottawa that BT would have to respect the conditions imposed on Mitel since 1980 as part of government grants and other financial assistance given to the company. Mitel suffered a C\$32.1m loss last year.

These conditions include the local manufacture of all products developed with the help of grants, and 1987 equal to double the amount of the government contributions. In addition. Mitel has agreed to manuacture three-quarters of its micro lectronic products in Canada. The grants total around C\$30m.

The takeover is still subject to etting by Canada's Foreign Investnent Review Agency (Fira). The Conservative Government in Ottawa has not turned down a single foreign investment application ince coming to office last Septem ber, but Fira frequeotly asks new investors for undertakings related to joh creatioo, plant location or technology transfers before recomnending approval,

A new foreign investment law, significantly easing the screening process, is expected to be passed by parliament next week. But because of its size, the BT/Mitel deal will also be subject to review under the new legislation.

#### MIP plans to buy 49% of. Van Doorne ---

By Laura Raun in Amsterdam THE Dutch corporation for indus-

trial projects (MIP), a mixed venns to take a 49 per cent stake in Van Doorne's Transmissie (VDT) in a sharp reversal of a refusal to buy into the automatic-transmission maker three months ago.

The MIP's turnround apparently was prompted by assurances of cootimed financing by the other share-holders, Volvo Car's Dutch subsid-iary and Fiat of Italy, and a bank consortium. Also, the Dutch Government, which owns 49 per cent of the MIP, is believed to be keen to keep the innovative technology of the continuously variable automatic transmission (CVT) in Dutch hands. Volvo Car, which itself is 70 per

cent owned by the Dutch state, will sell about one-third of its 39.5 per cent stake in VDT to the MIP. The Dutch state also will sell its 39.5 per cent share to the MIP, which op-erates independently from the Gov-

The 11th-hour rescue is the second such operation in a half year for VDT. The Dutch Government provided a financial liferaft last November with its acquisition of Borg-Warner's unwanted 24 per cent share plus a Fl 5m (\$1.44m) bridging loan. That was supplemented by FI 4.9m in fresh capital from Volvo and Fiat, which holds the remaining 24 per cent of VDT.

NOTICE OF REDEMPTION

the amount redeemable on June 1985 is. US\$3,000,000. — was to been at the market. Amount noting: US\$13,000,000.

To the Holdar of FORD MOTOR CREDIT COMPANY Floating Rate Motes don Nevember 1991

Personal to the Fiscal Agency Agreement Dated as at November 1, 1984 (the "Agreement") between Ford Motor Credit Company and The Create Montaction Born (Flathcost Association); as Fiscal Agent, notice is horeby given that the Rate of Interest applicable to the above Motes for the Interest Period May 15 to November 15, 1995, as determined in accordance with the provisions of the Agreement, is 894% per annum. The amount of interest payable in asspect of each USSSG,000 principal amount of Notes in USS2,238.11, payable November 15, 1985.

THE CHASE MANNATTAN BANK



### FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists, The following are closing prices for May 14.

Austria Republic 7 95 BP Overzee 7 92 Fed Natl Mort 87 92

i	L MOST MATTER .		Controller CO
i	STRAIGHTS	Special Contracts	i Bid Offer day week Yield
	Arper Credit 12% 88	150	10514 10574 + 678 + 112 10.57
	Austria Rep 13% 92	100	110 11012 + 015 + 058 11.43
	Bank Of Tokyo 12% 92	190	† 194 1941 <sub>2</sub> + 91 <sub>8</sub> + 13 <sub>4</sub> 11,65
i	Bank of Tokyo 134, 91	700	10874 10814 + 078 + 178 11.4E
ì	BP Capital 11 92	150	9914 9914 + 016 + 114 11.21
ı	Carsse Nat Tale 13 <sup>3</sup> c 91	100	1103 1107a + 014 + 184 11.24
ı	Canada 11 <sup>1</sup> 4 50	500	10312 164 + 012 + 116 10.46
ì	Canadian Par 12 2 99	75	194 1 195 + 014 + 114 11.78
ı	CBS Inc 11 <sup>2</sup> 92	100	
ı	Chevron U.S.A. 12"4 89		
ı	Coca Cola 11 <sup>2</sup> 91	-600 100	103% 193% + 0% + 0% 11.12
Į			10412 185 + 636 + 116 10.85 5914 5834 + 616 + 616 11.60
ì	Denmark Kingdom 11 <sup>1</sup> 4 82	100	
I	Denmark Kingdom 13*4 91	100	10676 10736 + 634 + 136 11.57
ı	Demourk 1374 88 XW	100	1673 1077 + 818 + 812 10.21
۱	Decreary Kingdom 14 91	100	10934 11014 + 818 + 878 11.61
J	EEC. 11 90	100	101 10112 + 012 + 112 10.74
ľ	EUR 11 95	100	1"97% 981a + 014 + 014 11.25
ı	E1B. 13 96	200	1071e 1075e + 81e + 11e 11.78
ı	Export Day Corp. 12 89	100	104% 104% + 0% + 1% 10.57
ı	Exten Capital Corp 0 2004	1800	12 1218 + 014 0 11.37
ľ	Ford Mosor Cred 17a 95	100	9778 9874 + 012 + 118 11.94
ľ	IBM Credit 10 <sup>3</sup> 2000	300	9958 1001a + 03a + 13a 10.36
ı	IBM Credit Corp 1134 87	200	103 % 105% + 015 + 674 16.62
l	Indust Bk Japan 12% 89	100	187 1972 + 05 + 124 10.68
ı	Indust Bk Japan 13% 91	- 125	1185g 1771g + 63g + 11g 17.38
ı	Int-Am Dev Sk 12 91	150	1953 10578 + 012 + 118 71.44
ı	Japan Air Lines 13% 94	180	11314 11334 + 154 + 214 18.95
ı	Kellogg Company 10% 90	190	1005 1011 + 914 + 15 10.50
	Kellogg Company 11 <sup>14</sup> 92	190	192 10012 + 812 + 818 10.73
i	LT.C.B. 12% 91	100	106 10612 + 012 + 112 11.42
ı	Macy Cred Corp 1124 95	100 .	181 18112 + 814 + 116 11.51
	Mellon Bank 13 87	100	1941 196 + 814 + 938 10.58
	Merrill Lynch 12 89	100	10414 10434 + 014 + 058 17.34
	Minnesota 11 4 87	100	· 10212 105 8 + 034 10.10
	Mitsubishi Corp 13'4 89	100	169% 119% + 8% + 1% 10.22
	Mootegu 13'4 91	100	105 10512 - 014 + 63 11.00
	Morgan Guaranty 12 <sup>3</sup> 7 89	150	1043 <sub>8</sub> 1047 <sub>8</sub> + 01 <sub>2</sub> + 11 <sub>8</sub> 10.05
	Nippon Cred Ek 137s 99	100	10012 100 + 01s + 114 1L10
	No America 12% 91	100	104 % 1045g 8 + 835 11.82
	Penney J.C. 12 <sup>24</sup> 91	100	10512 106 + 058 + 158 11.40
	Pru Realty secs 12's 95	546	10334 10414 + 012 + 178 11.40
	Quebec Hydro 11 4 92	190	1015 1024 + 64 + 14 11.09
	Raiston Puring 11 <sup>54</sup> 95	150	1015 1024 + 80 + 03 11.42
	Raiston Ponna 1214 88	100	19512 100 + 61a + 634 10.99.
	Royal Bk Can 12 <sup>2</sup> 92 XW	100	103 1934 + 014 + 114 11.50
	Saskatchevent 10 3/4 92	100	975 98's + 8'4 + 1'a 11.19
	Saskatchewan 117/8 89	100	104. 104 % + 63c + 15 18,60
	S.N.C.F. 12 92 XW	100 .	10178 10238 + 838 + 024 TL90
	Station 13 2 89	100	109 10912 + 030 + 114 18.62
	S Wales Tray 112 96	150	1627a 1033a + 014 + 15a 1830
	Swed Exp Cred 124 89XW	100 .	10612 105 - 012 + 018 11.26
	Sweden Kingdom 10% 00	200	9914 9934 - 814 - 814 11.01
	Sweden Kingdom 11'2 89	200	10134 10214 + 814 + 634 10.88
	Sweden Kingdom 174 94	100	10130 10170 + 835 + 114 11.43
	Teoreto Capital 12's 87	300	1041g 1045g + 81g + 05g 18.56
	Texaco Capital 13" 89	200	1065 1071 - 814 + 014 11.82

DELITSCHE MARK
STRAIGHTS
Asian Dev Blank D 94
Austria, Republic 74 94
Boxter Travenol 74 94
Credit Netional D 9 94
Degussa Int Fin 77 94
E.E.C. 0 92
Senten 8 92 Escon 8 92 Ferrone Dello Stato 0 91 Farland Republic 7 92 Gould Int Fin 7% 91 Ireland 8 92

Avon Cap Corp 5 94 Bril land Comp 6 99 Creditaristatis 5° 94
Deutsche Bit. Fig. 5° 95
ELB. 5°4, 94
Eurotima 5°97
Eurotima 5°4 96
Export Dev Corp 5°4 92
First Boston Inc. 5°4 94
Gen Occidentale 4°7
94
Chroditatis 5°4
94 own Condentale 4°2 94 I C Industries 5°4 94 Ind Fund Fin 5°4 94 New Zealand Govt 5°4-98 N Zealand steet 5°4-98 Obertex Kink 5°4-95 Ost Dongwissit 6°4-95 Cobrido Anima 5\*\* 95
Raiston Purina 5\*\* 94
Santos Finance Ltd 6 94
Tokyo Elec Per 5\*2 93
Tokyo Metropolis 5\*4 94
World Bit 5\*4 94

OTHER STRANGHTS
Bell Canada 1214 87 CS
British Columbia 12 00 CS
Can Nat Rail 1214 95 CS
Chyster Cred 1214 92 CS
Dennark 1114 97 CS
Desjardins 1212 50 CS
ELB. 12 90 CS
ELB. 12 90 CS
Giro Und Bk 1014 93 ECU
World Bk 1014 94 ECU
Alora 79 FL B.B.L. Int 5 99. -C.C.F. 5<sup>14</sup> 97 Chase Martin 5<sup>14</sup> 2009 Citicarp O/S 5<sup>14</sup> 96 Sep Credder Fin 5<sup>14</sup> 89 Ireland 5<sup>14</sup> 97 Ireland 5<sup>14</sup> 99 Italy, Republic 5 94 Lloyde Euro 5 2004 Middlerd Fla 5 90

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Dia Sec Ind 3°a 99
Orient Lessing 5°a 98
Seday House 3 89
Sony Corp 2 2000
Talyo Yazlen 3°a 2000
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Talyo Yazlen 3°a 2000
Talyo Fishing Fishing Fishing 5°a 2000 Ngoon Oil Co 2 9 92 8F Ngoon Shinban Co 2 92 Settsu Paper 2 4 92 SF

traight Bearls: The yield to redemption of the mid-price; the amount leaned is in millions of currency ands succept for Yen bonds where it is in billions. Change on wook — Change over price a week online.

Hosting Rate Notes: Denominated in dollars unless otherwise indicated. Couple shows is minimum. C. data — Data next coupon becomes effective. Spread — Margin shows six-avouth effected rate (17 three month, 5 above green cate) for U.S. dellars. C.cpn. — current coupon. Co. yid — current yield.

convertible threats; Denominated is, dollars unless otherwise indicated. Chr. day

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— Homised account of bond pur shore expressed in currency of share at conversion rate fixed at issue. From — Personates pressum of the current officers price of acquiring shares via the bond over the most recent price of the

© The Financial Times Ital., 1985. Reproduction in whole or in part in any farm not permitted without written consecut. Data supplied by UATASTREAM Inter-

## **Deutsche Bank**

Aktiengesellschaft

Frankfurt am Main (Incorporated in the Federal Republic of Germany with limited liability)

#### **Notification of Dividend**

The Ordinary General Meeting on May 14, 1985, has resolved to distribute the distributable profit of the financial year 1984 being DM 352,594,824 and has approved the payment of a dividend of DM 12 per share of DM 50 par value.

The dividend will be paid less 25% capital yield tax against submittal of Dividend Coupon No. 44 at one of the paying agents listed in the Federal Gazette (Bundesanzeiger) of the Federal Republic of Germany No. 90 dated May 15, 1985. In accordance with the English-German Double Taxation Agreement of November 26, 1964, as amended in the protocol of March 23, 1970, the German capital yield tax is reduced from 25% to 15% for shareholders resident in Great Britain. To claim this, shareholders must submit an application for reimbursement within three years from the due date. This application is to be addressed to the Bundesamt fuer Finanzen. Friedhofstrasse 1, D-5300 Bonn 3.

Under the German corporation tax system effective as of January 1, 1977. a tax credit amounting to 9/16 of the dividend declared is linked to the dividend. However, shareholders resident outside the Federal Republic of Germany and Berlin (West) are not entitled to this tax credit.

In Great Britain payment will take place through the following banks: Deutsche Bank AG, London Branch, 6, Bishopsgate, London EC2P 2AT, Midland Bank plc, International Division, Securities Department, St. Magnus House, 5th Floor, 3 Lower Thames Street, London EC3R 6HA.

The dividend payment in Great Britain is made in Pound Sterling converted from Deutsche Mark at the rate prevailing on the day of submittal of the dividend

Frankfurt am Main, May 1985

**Board of Managing Directors** 

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3 14 17 B . . .

Samuel Montagu & Co. Limited

Nomura International Limited

J. Henry Schroder Wagg & Co. Limited

Swiss Bank Corporation International Limited

Götabanken March 1985

## ELETROBRAS

Centrais Eletricas Brasileiras S.A. Kuwaiti Dinars 10,000,000 81% Bonds due 1985/1990 Option to Redeem on October 15th 1985

Notice is hereby given that under condition 4 (c) of the bonds, the holders of any of the above bonds shall have the option to have such bond redeemed by Eletrobras at 100 per cent on October 15th 1985. To exercise the option the holder of bonds shall deposit the bonds to be redeemed with the fiscal agent or any of the paying agents at the addresses given below from whom payment is required at any time between June 15th 1985 and July 15th 1985 (both dates inclusive).

Any bonds so deposited may not be withdrawn without the prior consent of ELETROBRAS.

FISCAL AGENT KUWAIT INTERNATIONAL INVESTMENT CO. sak P.O. 80X 22792, GATE NO. 1 5th FLOOR - SALHIYA COMMERCIAL COMPLEX

PAYING AGENTS KREDIETBANK S.A. LUXEMBOURGEOISE 37, RUE NOTRE DAME LUXEMBOURG.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK - 35 AVENUE DES ARTS

1040 BRUSSELS - BELGIUM . MERRILL LYNCH INT'L BANK LTD. MERRILL LYNCH HOUSE 3 NEW GATE STREET · LONDON ECIA 7DA - UNITED KINGDOM

Kuwait International Investment Co. s.a.k.

(fiscal agent)

#### Company Notices

CAISSE CENTRALE DE COOPERATION ECONOMIQUE Bond Essue of US\$200,000,000 Floating Rate Notes 1985/2005 The rate of interest applicable to the interest period from May 1S 1985 up to August 15, 1985 as determined by the reference agent

la 8°s per cent per annum nami USS214.03 per note of USS10.000.

#### Public Notices

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION PROPOSEO ACQUISITION OF MATTHEW BROWN PLC BY SCOTTISH & NEWCASTLE BREWERIES PLC SCOTTISH & NEWCASTLE BREWERIES PLC One 24th April 1985 the Servesny of Same for Trade and Industry referred to the Monopolics and Mergers Commission for investigation and report unger the pro-visions of the Fair Tradina Act 1973 198 9709080C acquisition of Matthew Brown PLC By Scottish & Newcastle Breweries



#### Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Nameay with limited liability)

U.S.\$100,000,000 Servor Floating Rate Notes Due 1995 (of which U.S.\$75,000,000 is being issued as the Initial Tranche)

Notice is hereby given that the rate of interest has been fixed at the minimum role of 104:96 and that the interest payable on the relevant Interest Payment Date November 15, 1985 against Coupan No. 1 in respect of US\$10,000 nominal of the Notes will be US\$536.67

By: Citibonk, N.A. (CSSI Dept.), Agent Bonk

CITIBANCO

· New Issue. These Notes having been sold, this announcement appears as a matter of record only.

AB Svensk Exportkredit

(Incorporated in the Kingdom of Sweden with limited liability)

113/8% Notes due 1992

Lloyds Bank International Limited

Algemene Bank Nederland N.V.

Commerzbank Aktiengesellschaft

£50,000,000

·Issue Price 100 per cent.

Barclays Bank Group

(Swedish Export Credit Corporation)

#### INTL. COMPANIES & FINANCE

## Singapore Press shows marginal profits advance

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE Press Holdings, the newspaper monopoly and publishing combine which is the island state's biggest publicly quoted industrial company, yesterday reported its first corporate results since last year's merger of Straits Times Press and Times Publishing with Singapore News and Publica-

The merger took formal effect at the end of November 1984, and yesterday's figures, for the and yesterday's figures, for the six months to February, com-bine the results of the three companies and their subsi-diarles for a period straddling the change, and compare it with the same period the previous

Citizen reaps

diversification

benefits of

per cent of turnover.

year when the companies were profits, and warns that, with

Pre-tax profits show a 2.3 per down a marginal 0.3 per cent to S\$422.9m. After tax, and taking into account minority interests, profit attributable to sharebolders is up 5 per cent at \$\$33.48m, and the board has declared an interim 10 ceots dividend per SS1 share.

The group says that trading profits were slightly weaker at S\$47.5m because newspaper operations were adversely affected by a reduction in advertisement revenue. It

recent cost increases, "it may be necessary in review the cent rise to \$57.74m cover price of our newspapers (U.S.\$28.03m) on a jurnover later in the year." later in the year."

> The group also reported that the UK-incorporated Marshall Cavendish group had returned to profitability. First acquired by Times Publishing in 1980, it represents the largest group lovestment outside Singapore and made a loss in the 1984 financial year.

Singapore Press Holdings, with a market capitalisation above S\$1.4bn, is the largest single media group in Southexpects the downward trend to East Asia. It is rich in easb and continue, bitting second-half has interests around the world.

#### **Makino Milling earnings** up 22% on record sales

STRONG economic recovery in main product line, rose 41 per CITIZEN, one of Japan's biggest watch makers, yesterday re-ported a 12.6 per cent advance maker, to hist parent company pre-tox pro8ts 21.9 per cent to contribute 15.6 per cent maker, (\$27.7m) in the year and represented 32 per cent in parent company taxable pro-fits to Y12.09bn (\$48.1m) for the year to March, up from Y10.74 bn in the previous period, as the benefits of a

Net profits were up 7.8 per cent to Y 3.25bo, on record turn-over of Y 50.28bn, 23 per cent orders received diversification programme began to show through. Turnover of Y147.75bn. against Y127.49bn, was still ahead of the previous year. Net largely accounted for by sales of wristwatches, although their share of the total dipped to 72 per cent from 77.8 per cent. The industrial machinery division grew from 11.8 per cent to 13.6 of Y II.
During the year electrodis-

Sharply reduced asset sales eft net profits at Y5.91bn or Y23.68 per share, compared

the U.S. and a boost in domestic cent to account for 40.4 per cent

and represented 32 per cent of

Over the year, the company's orders received reached a record of Y 51.6bn, with a substantial contribution from the electroearnings per share advanced contribution from the electro-from Y 37.22 to Y 39.45, while dischargers side, up by a balf a term-end dividend unchanged The year-end order backlog at Y 5.50 has maintained a total stood at Y20.1bn, and demand

is expected to bold up well in the current year. Taxable procharge machines became Makino's second major line of business as turnover increased 37.5

per cent to account for Y 9.2bn Y55bn) 9.2 per cent ahead) are with Y5.89bn or Y28.74. The or 18.3 per cent of total sales, predicted for the year to March dividend was held at Y7.50. Sales of machining systems, its 1986.

#### **CNA Gallo** steady on higher turnover

By Jim Jones in Johannesburg CNA GALLO, the South records and music tapes and the country's largest distribu-tor of books and periodleals, boosted sales despite a decline in discretionary consumer spending in the year to end-

Turnover increased 7.8 per cent to R292.5m (\$148m) from R271.4m, but pre-tax profits edged np just 0.8 per profits edged up just 0.8 per cent to R24m, against R23.8m. The directors say that management did well to increase the company's share of a shrinking market, to contain operating cost increases and effectively to manage assets. Nevertheless the beard is necessitation. the board is pessimistic on this year's prospects.

The directors cannot say when South Africa will move out of recession and expect sales growth to decline again this year.

An unchanged total divi-dend of 16 rents has been

declared. Earnings Increased to 42.8 cents a share last year from 41.7 cents. CNA Gallo ts controlled by Premier Group, the diversified food and consumer goods group which in turn is indirectly controlled by Anglo American

Corporation.
Vereeniging Refractories (Verref), the South African refractories and building products manufacturer, earned a tower trading profit in the year end March even though

year end March even thongs turnover increased.
Sales rose 6.5 per cent to R143.1m from R134.4m while the trading profit before interest and tax dropped 14.2 per cent to R18.5m from R21.5m. Higher interest income resulted in a smaller 11.7 per cent decline in the pre-tax result which slipped

The profits decline came largely in the second half when the effects of the Government's austerity measures were fully felt. A lower tax charge and a lower minority share in the profits of subsidiaries left the attri-hutable after-tax profit higher at R9.7m against R8.9m. Earnings rose to 188.7 cents a share from 173.7 cents

a share and the total dividend was increased to 62 cents from 60 cents. Verref is a subsidiary of Angle American Coal Corporation (Amecal),

Citicorp Overseas Finance Corporation N.V. (Incorporated with limited liability in the Netherlands Antilles)

ECU 40,000,000 111/4% 1983-1990 Guaranteed Bonds

Irrevocably and Unconditionally Guaranteed by

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,	Also Bo	nds beari	ng the foll	owing ser	ial numbe	<b>45</b> :			
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	2948	3048	3348	3848	4048	4148	4548	4748	
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	6348	6448	6648 .	7148	7248	7348	7648	8C48	
	8448	8748	9048	9248	9448	9548	9648	974B	
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1	1948	12048	12348	12448	12648	12948	13048	13148	
1	3448	13548	13648	13848	13948	14048	14148	14248	
1	4948	15048	15248	15343	15548	15748	16048	16143	
1	6448	16648	16848	16948	17248	17348	17448	17548	
1	7648	1774B	17848	18148	18248	18343	18546	18648	
	8848	18948	19348	19448	19548	20048	20348	20748	
	309-18	21148	21248	21448	21548	21648	21748	21648	
	22148	22348	22448	23348	23448	35648	23748	24348	
	4448	24648	24748	24948	25048	25148	25348	25348	
	25548	25648	26348	26548	26648	35648	26948	27148	
	:7348	27548	27748	27948	28148	29348	28448	28548	
	28748	28848	28948	29048	29148	29248	29748	29648	
	2948	30348	30448	30548	30648	30748	30848	30943	
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Payment will be made upon surrender of Bonds together with all caupons maturing ofter the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on June 15, 1985 should be defacted and presented for payment in the usual manner. On and after June 15, 1985 interest on the Bonds will cause to accrue and

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a property completed form W-9 or exemption certificate or equivalent when presenting your

May 15, 1985 By Chibank, N.A. (CSSI Dept.) London, Fiscol Agent

**CITIBANK** 

#### Den norske Creditbank US\$150,000,000

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In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from May 15 - Angust 15, 1985 the Notes will carry an Interest Rate of 8%% per annum and the Coupon Amount per U.S.\$10,000 will be U.S.\$218.82,

May 15, 1985 By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANG

## Palmco takes Thai bank stake

BY WONG SULONG IN KUALA LUMPUR

PALMCO, Malaysia's biggest palm oil refining group, has announced it has taken a 12 per cent stake in Laem Thong Bank, a commercial bank listed on the Securities Exchange in Thailand.

Palmoo said it paid 90m habt (U.S.\$3.3m) for 120,000 shares of the bank.

Banque Indosuez

Daiwa Europe Limited

Grindlay Brandts Limited

Hill Samuel & Co. Limited

The National Commercial Bank (Saudi Arabia)

Baring Brothers & Co., Limited

Directors say the acquisition will further increase the group's involvement in the financial services sector and will contribute to its long-term earnings. In recent years, Palmco has diversified into financial services, property development and hotels, because of the poor prospects for palm oil refining in Thailmex Finance and Securities, a deposit taking company.

All of these securities have been sold. This announcement appears as a matter of record only.



£75,000,000

#### PHILIP MORRIS CREDIT CORPORATION

111/8% Bonds due 1995

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#### £300,000,000 The Dow Chemical Company

Zero Coupon Notes Due May 30, 1997

The following have agreed to purchase the Notes:

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Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. The Notes do not pay interest periodically. The only scheduled payment to the holder of a Note will be the amount due at

Listing Particulars relating to The Dow Chemical Company and the Notes are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including May 17, 1985 from the Company Announcements Office of The Stock Exchange and up to and including May 29, 1985 from:

Cazenove & Co. 12, Tokenhouse Yard London EC2R 7AN **European Banking Company Limited** 10, Devonshire Square, London EC2N 4HS

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May 15, 1985

## INTL. COMPANIES & FINANCE

Paul Taylor on sale of a defence giant to benefit medicine

## Hughes Aircraft flies into view

HUGHES AIRCRAFT, the cor- board appointed last year, at the porate creation of the late and of a six-year bitter legal aviation pioneer, hillionaire and battle over control of the comrecluse Howard Hughes, has not pany after Howard Hughes' built a plane in years.

But a buiging defence and electronics order book has made the El Segundo, California-based group, which once pro-duced the legendary wooden Spruce Goose and the experi-mental H-1 Racer, one of the horiest corporate properties ever to go under the auctioneer's hammer.

Tomorrow, assuming no last minute hitches, Morgan Stanley, the Blue Chip Wall Street investment bank, will select the winning sealed hid for the privately held company— put up for sale by the Howard Hughes Medical Institute — from among some of the higgest names in corporate America.

Among the corporations ex-pected to have submitted sealed bids in the multi-billion dollar auction—the largest ever involv-Ing a private company — are General Motors and Ford, of the motor companies, and Signal Companies, and Allied Corpora-tion. Other potential bidders mentioned over the last few months have included Boeing, Lockheed, Rockwell, United Technologies and General Electric until it said recently that it would not enter the final bidding

After receiving the recom-mendation of Morgan Stanley, and assuming the bids match up to expectations, the ultimate winner will be selected by the medical institute's nine-member

end of a six-year bitter legal

The new trustees put Hughes Aircraft up for sale to settle an earn longer running dispute with the U.S. Internal Revenue

Wall Street and the institute believe Hughes Aircraft, spun off from its previous parent, Hughes Tool, in 1953 as part of Hughes Tool, in 1953 as part or a tax shelter scheme devised by Howard Hughes which ensured he retained control over the business, could fetch between \$4.5nn and \$6nn-effectively limiting potential huyers to those, like GM which has almost \$8.45nn in cash, with exceptionally deep pockets.

For that price the auction winner will acquire one of the nation's premier defence contractors, a major manufacturer of satellite systems and one of the most highly regarded advanced electronics groups in the U.S.

Last year, Hughes Aircraft had sales of around \$4.9bn, roughly the same as in 1983. ranking it as the 9th largest defence contractor. Revenues would have been considerably higher had it not been for the uncharacteristic embarrassment to Hughes of having the Pentagon temporarily acceptance of some some missile

HUGHES

ORDER BACKLOG

halt

AIRCRAFT

LONG TERM DEST

series of disclosures about poor quality controls and faults in 4,000 contracts, the weapons systems. Hughes grammes and 12 also, voluntarily, suspended shipment of a radar system it manufactures for the F-14, F-15

and F-18 jet fighters.
The "missile crisis," which the Air Force's with the U.S. Internal Revenue
Service (IRS) which has
insisted that the non-profit
institute must distribute more
cash if it is to retain its tax-free
charitable status.

Wall Street and the institute
Which Airmont country of the cent to \$6bn, and its year-end order backlog grow by almost 9 per cent to just under \$12bn.

There are, however, several specific features of Hughes' business operations which make . the company particularly attrac-tive to a potential buyer. Its six divisions, each with more than \$600m a year in sales, and designed to be complementary to each other, manufacture a wide range of missile systems. radars, communications satellites and laser weaponry and are involved in President Reagan's strategic defence initiative (Star Wars).

Among the group's innova-tions is the Space Shuttle's miserly sums to its charitable mechanical arm which hurls parent in the form of dividends satellite's out of the vehicle's cargo bay doors Frishee-style.

makes Hughes Aircraft considerably less vulnerable to defence programme spending cuts than some of its rivals. Although derives around 80 systems from the group's per cent of its revenues from Tucson, Arizona plant, after a military contracts, these

EMPLOYEES

4,000 contracts, 1,500 programmes and 12,000 products

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No single project accounts for more than 6 per cent of Hughes' total sales, and the group's ten largest projects to-gether total less than 40 per cent.

Such diversity within the high-tech sector has also helped Hughes Aircraft maintain consistently Although these are not made public, Wall Street believes the group earned around \$250m net last yesr—despite the missile problems and that its profit margins exceed the 4 per cent of sales which are typical of the

erospace sector. Hughes Aircraft has also been a big spender on capital equip-ment. Last year, its capital more than 30 per cent up on spending is in excess of \$250

profits back into its business while throwing off relativety (\$80m last year compared with 353m in 1983). Highes Aircraft has maintained a strong balan sheet. Long term debt totals \$78.1m, or about 15 per cent of its estimated \$520m in

equity.

Last but not least, Hughes has a reputation as being a well managed and innovative com-pany stacked out with graduate scientists under the leadership of Mr Allen Puckett, Hughes Aircraft's 65-year-old chairman. One third of its 73,800 employ-

ees are engineers.
For them one think seems certain. After over 30 years shielded from the glare of publicity under the secretive. Hughes umbrella, life will be different as part of a public company. Even if none of the bids matches up to price expect-ations, the institute is expected ations, the institute is expected to turn Hughes Aircraft into a public company through a public share offering. The institute has ruled out the piecemeal break-up of the company. The sale may also resolve mother oddity of the Howard Hughes legacy—the irony of military weapons sales supporting medical research. In the process, medical research in the U.S. could receive a major boost and the cash generated by the sale will lift the Hughes Medical Institute into the ranks of other major charitable founda-tions, like the Ford Foundation

hich has an endowment of

# QUALITY REAPS GUNTINUING SUGGESS — CLAAS TURNOVER TOPS THE BILLION D-MARK



1979/80



1980/81



1981/82



1982/83



CLAAS closed the 1983/1984 financial year with a global turnover exceeding 1 billion

This figure represents an increase in sales of more than DM 300 million over the last five years.- despite the worldwide depression in demand for agricultural machinery. An outstanding achievement.

#### **Quality in the Field**

For us, quality is the gauge of all our operations - and, wherever possible, we are constantly seeking to raise the level of quality even

We plough vast sums into R & D investment, in order to consolidate and extend the advances already made in harvesting technology.

#### We are close to our Customers

Any successful manufacturer of combine harvesters, foragers, balers, trailers and forage harvesters must of necessity have a highly precise knowledge of market requirements. He must understand exactly what farmers and agricultural contractors actually need.

That is why CLAAS customer service ranks as an example to the entire sector. It ensures the reliability and lasting value that are permanent hallmarks of CLAAS harvesting machinery.

## German Quality Workmanship has earned Worldwide Recognition

The solid growth of CLAAS would have been unthinkable without a high proportion of

exports. More than 75% of today's production is exported to more than 50 countries, provingthe high value attributed throughout the world to the axiom "Made in Germany - Made by CLAAS". But our exceptional reputation and economic success are not the only reasons for us to feel proud - our performance guarantees secure employment for about 6,500 people.

#### Healthy Growth - a Safeguard for the Future

Convincing products bring superiority on the market. And in turn this superiority is a convincing argument for our customers in the farming world, as well as for our distributors, our employees and our friends throughout the economy. And, ultimately, our superiority gives

us the incentive to consolidate and broaden our existing position on the market.

It is in this spirit that we offer our sincere thanks to all who have helped us attain these successful results.

Quality in the Field





#### UK COMPANY NEWS

## Stores sector lifts Sears above forecasts

are spread before and 12,000 profes

than 6 per sense total sales and for less than 4 be diversity

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Actor. Application of Affordation of Affordation of Capital on State of Capital on State of Capital of Capital

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out not least, higher purisation as being a will and innovative on the fad out with grades a under the leadershallen Puckett, house 65-year-old chains of its 73,806 cm/s on consumers.

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DESPITE A downturn of £5.8m better than expected pre-lax profits for the 1984/85 year with a record result of £175.2m. This was somo 15m more than most market forecasts, and £16.1m up on last year.

Sears was able to offset the U.S. profit slip with a strong per-ormance from its stores division, which added £10.4m to the trading result. Most of this came from the departmental stores sub-group, which includes the Selfridges and Lewis's outlets, and which improved its trading and, which improved its trading performance by £7.4m to £25.1m.
Group humover topped the £25m mark for the first time, with trading profits ahead from £154.6m to £167.5m. Trading margins were maintained at ground the £3 per cent level.

Mr Geoffrey Maitland-Smith, the chairman and chief executive, and verterfay, that he expected said yesterday that he expected no real upturn in the U.S. until the second half of the current year. In common with most retailers there, he said, Sears suffered from the depressed consumer of the current production of the current second construction of the current second construction from the current second construction of the sumer market, resulting from the overstocking that occurred last

Trading in

begins

By Stefan Wagstyl

**BAe options** 

The Stock Exchange is opening a market in options today in British Aerospace shares, which are trading heavily in the wake of the combined Government and

on the comment of the sale.

The Stock Exchange said it confidently enticipated that investors would be as interested in BAe options as they were in British Telecom.

BAE options as they were in British Telecom.

British Telecom.

BAe shares closed 3p down at 418p last night, following heavy trading in which some investors who bought shares at 375p in the offer for sale took their profits and others added to their profits and others added to their

Meanwhile, at the company's

annual meeting yesterday Sir Austin Pearce, the chairman, des-cribed the offer for sale (in which

the Government sold its remaining stake in the company and BAe raised new funds) as "a great success."

The Government said last

The Government said last night that the total fees and commissions paid to underwriters, brokers to the offer and institutional investors who accepted shares in a placing carried out in advance of the general offer for sale, amounted to £7.57m; including VAT.

In addition, Lazard Brothers, the "government's, financial advisers, will receive a fee, and commissions of 11-per-cent will.

DESPITE A downturn of 25.8m He described current trading in Seara Holdings' U.S. footwear operations, the group produced "very good indeed," with Lewis's better than expected pre-tax in particular benefiting from the buoyant tourist trade in London and enjoying the gains from the re-vamping of recent years. Jewellery was having an especially good period.

Mr Maitland-Smith calculated that the miners' strike cost the company some £2m to £3m over the year in lost revenue.

On the Foster Brothers Clothing acquisition last month, which takes Sears into the multiple retailing of men's clothes for the first time, he was unable to quantify the potential return in the current year, but gave some details of his plans for the future.

Foster's loss-making Peter Richards chain of womenswear outlets is to be split between Sears' Wallis and Miss Selfridge shops, and some would be refurbished. Foster's retail carpets division will be sold.

Overeli, the chairman indicated that he would be looking for a 10 per cent rise in taxable profits for the current year, assuming a rata of inflation of around 5 per cent.



Mr Geoffrey Maitland Smith

The directors are to recommend a final dividend of 2.2p net per share, up from 1.8p, which lifts the total by 20 per cent to 22.2m to £3.9m.

Inter-group concessions accounted for £32.4m (£27.km) of sales.

The motor vehicle sales end service division was relatively (7.1p), and after the total distribution of £40.4m against £33.6m

the group is able to transfer August. This edded £18.8m £68.9m to reserves, an increase (£31.5m) to sales and turned in

An analysis of the trading fresult shows thet overall the foot-woar division was static, with the U.S. profit decline counterbalanced by an identical rise in Europe for an unchanged return of £84.5m. Footwear sales came.—it controls the William Hill to £763.8m (£671.9m), with the U.S. side contributing £188.3m (£150.4m).

Most parts of the stores divi-

Most parts of the stores division showed profit riscs, with departmental stores improving from £18.7m to £26.1m on turn-over ahead by £22.5m at £302.9m. Turnover and trading profits of the rest of the sector were: multiple fashion and sports goods £117.6m (£101.1m) and goods £117.6m (£101.1m) and £12.5m (£10.1m) respectively; jeweltery £56.1m (£53.4m) and £3m (£1.1m); other stores activities—mainly the Miss Erika operation in the U.S.—improved turnover to £30.9m (£28.7m) but saw trading profits slip from £5.2m to £3.9m.

An analysis of the trading £1.2m. Sales and services' con-

£479.1m.

In the property development operations, bousebuilding and construction turnover improved from £26.2m to £28.9m, but profits fell from £9.1m to £8m. Rental income provided profits of £7.6m (£6.3m) on sales up from f7.6m to f9.3m.
In engineering profits improved by f0.9m to £2.2m white

turnover fell from £43.8m to Of the group's related companies, Asprey the jeweller added £1.6m (£1.3m) to sales, while CIT turned over £2m

The lax charge came to £65.1m against £62.7m, to leave ne profits at £1t0.tm (£96.4m), with minoritles unchanged at £0.6m.

## Land Securities rises 14% to £96m

HIGHER RENTAL and interest 7.267p to 5.15p with a final 5.5p incomo helped push pre-tax (4.91p) proposed. Stated net profits of Land Securities to earnings per £1 share are shown as 11.72p (10.23p) basic.

1985, compared with £84m—a 14

The net asset value per share are supplied for the surplus on revaluation was an end-March 1985 was 401p per share are supplied for the conditions for letting and the aggregate book value of agreed. The balance is not due properties sold was £24.9m. for completion whill later this the surplus on revaluation was an end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus on revaluation was at end-March 1985 was 401p per share and the surplus of the surplus of

1985, compared with £84m—a 14
per cent increase.

Total income for this property
developer and manager, rose
from £137.7m to £148.4m, and
the pre-tax figure was after
property outgoings and administration expenses of £33.5m
against £34m. While interest payable was little changed at £19.3m
(£19.7m), net rents and interest
received increased by £11.2m to
£114.9m.

Total dividend payout for the
year is lifted from an adjusted

The net asset value per share
at end-March 1985 was 401p per
This is lower then
share, compared with 377p a year
this slower then
amounted to £2.02bn on which
basis the net asset value por
share is calculated.

The directors say the valuation at end-March 1985 resulted
in a valua of £2.34bn being
placed on the group's portfollo,
exceeding the valuation at end1984 by £147.3m.

During the period expenditure

BY ALEXANDER NICOLL

THE botly contested reverse

takeover hid for Energy Services and. Electronics by Shell company Peek Holdings failed yesterday in a very close-run

Peek, which was acting with

two businessmen who would have injected £6m into the combined group and assumed its

management, won acceptances from holders of 48.9 per cent of Energy Services, an electronic equipment rental and sales

Lloyds Bank, charged with

receiving acceptances, was conducting a recount last night.

commissions of 11 per cent will conducting a recount last night, be paid to all brokers and it was not expected to produce licensed dealers on shares sold a different result. Peek said that

to the public.

The Government estimated its total costs would be about film, with a further f8m borns by BAc.

In late business, Energy

**Recount follows Energy victory** 

shares for two Energy Services. Peek, advised by Hambros Bank, was offering seven of its

shares for two Energy Services, and success would bave given its existing shareholders just 5

per cent of a combined group with the two businessmen, Mr Julian Askin and Mr Hugo Biermann, holding 17 per cent. Current Energy Services holders would have continued to hald

would have continued to bold the remainder.

Services shares slumped to 90p. The down 5p on the day, after rising as bigh as 106p as the offer drew make

to a close. Shares in Peek fell was now receiving orders for to 20 p, down 6 p, after rising as high as 31p during the day.

Peek was offering seven of its lt said.

agreed. The balance is not due for completion will later this year or next year. At eod-March group short term funds amounted to £25.1m and

The group's loss-making subsidiary, Neve Audio, which

makes sound mixing equipment was now receiving orders for

The bidders argued that

Energy Services lacked direction

and that the main profitable

subsidiary, Livingston Hire-of

which Mr Askin was once

managing director—could be developed beyond the existing management's plans.

Sniping between the two sides

continued until the last moment

agreed realisations of property, for which contracts had not yet been exchanged, aggregated £9.4n. At that data capital commitments, including expenditure phased over periods of up to two aplete developments, totalied £46.1m. Bank facilities available to the

group have been increased to £50m.

#### **Pearson offshoot** in £20m deal

Pearson yesterday disclosed that its publishing subsidiary, Penguin, has paid £20.7m for the bulk of Infernational Thomson Organisation's UK trade book publishing interests,

with Thomson

These include the imprints, Michael Joseph, Hamish Hamiston, Sphere Books, Rainbird Pubton, Sphere Books, Rainburg Pub-tishing Gronp, TBL Book Service but exclude Janes's publishing. Pearson bas usod a vendor placing of 5.79m shares with institutions to pay for the deal which it says will strengthen and protect copyrights within the Penguin Group.

Pearson, which owns the Financial Times, said that the purchased business produced prethe remainder.

Ehergy Services, advised by denying what it said were suggestions by Peek that Mr Patrick contended that profits were increasing and that e change in management was unnecessary.

continued until the less inches financial Times, said that the purchased business produced preceding the purchased business produ

#### **Debenhams** 'not worth £450m' says Burton

By Lionel Barber

MR RALPH HALPERN chairman of the Burton menswear group, yesterday dashed speculators' bopes that he was ebont te launch a bld for Debenhams, Britain's second largest stores group.

Mr Halpern said Burton had "taken a look at Debenhams" but he added: "We are not convinced that Debenhams is worth its present market valuation of around £450m."

His statement appears to have been triggered by week-end comments by Mr Robert Thornton, Debenham's chairman, that the group intended to fight off any hostile take over bid through a manage-ment buy-out costing more

than 1600m.
"We were interested in press reports that the chair-man of Debenhams would himself consider a manage-ment-led offer for his company. I can say with emphasis that Burton would not under present circumstances be a bidder for Debenhams at the sort of prices attributed to Mr Thornton in the press," said Mr Halpern. Debenhams' share price

plummeted 28p after Mr Halpern's Stock Exchange statement but recovered slightly, closing last night at 307p, down 21p on the day. Burton shares closed at 471p, np 14p on the day.

However, Debenhams conn tered by welcoming the amouncement, adding that its market capitalisation was more than justified by recent record results and prospects. In the past six weeks, Debenhams' shares have risen 55p on the back of shares have speculation about a bid from either Burton, Habifat-Mothercare, or Harris Queensway, all major retailing

groups.

Debenhams and its mer-chant bank advisers, Kleinwort Benson, have been considering a management buy-out, backed by UK and U.S. investors, for at least nine months, according to sources close to the company. As Mr Thornton said in an interview on Channel Four last Sunday: "A year ago we took the view that 1985 would be the most difficult year to avoid a takeover because of the success (of our business)."

Mr Thornton's comments helped to push the share price up 11p on Monday, though they came just days after the group revealed a 24 per cent rise in pre-tax profits to £41m, in the year ended last January, on turnover of

## IBM dealer heads for market with £85m price tag

BY STEFAN WAGSTYL

ONE OF the UK's largest com-ONE OF the UK's largest com-puter leasing companies, IBL is coming to the stock market at the end of the month, with a market value of about £85m. Barclays Merchant Bank is seeking a listing for the company with a fixed price offor for the salo of about 25 per cent of the equity.

equity. IBL will be second only to Atlantic Computers by market capitalisation among quoted UK computer leasing companies iarger than Comcap, Dataserv and United Leasing.

and United Leasing.
Like its rivals, IBL makes
most of its money from the
financing and distribution of
IBM mainframe computers and
peripherals. both new and
second-band.

The company was formed in 1977 by a team of executives from the European loasing subsidiaries of the U.S. congtomerate. Tiger International. IBL says its particular strength lies in its development of international leasing, especially in continental Europe. Britain accounts for only about one third of turnover. third of turnover.

third of turnover.

Turnover bas grown rapidly from £14.4m in 1980 to £174.5m machines, be added.

There were marked differences in market conditions in difforent countries. Customers in the £3.2m in 1983, when the group Netherlands and in Sweden were was building up its network of offices in 15 countries including france there was strong demand the U.S. Last year profits leapt the U.S. Last year profits leapt the company began to reap the rewards of this investment.

accounted for a greater part of profits than leasing new machines, be added.

There were marked differences in market conditions in difforent countries. Customers in the countries including france there was strong demand for second-hand as well as new the rewards of this investment.

BL is based in Virginia Water, Surrey, and employs 162 people.

IBL sees its 1984 expansion continuing into 1985, with e substantial increase in turnover already recorded for the first three months. Its customers are placing orders for e new range of central processing computers announced recently by IBM.
The company says it is comine

to the market to raise funds for further expansion, particularly in the U.S. The group's co-founders, Mr Philip Coussens, the 40-year-old chairman and managing director, and Mr John Henderson the deputy managing Henderson, the deputy managing director, also aged 40, are both selling a part of their stake. They will see their bolding in the company fall from 100 per cent to a little more than 50 per

Mr Coussens said yesterday that the company's success depended on creating a strong base of customers in several countries. Computers leased new to one client could then he moved on to another when the original customer replaced the equipment.

The second-hand husiness accounted for a greater part of profits than leasing new machines, be added.

There were marked differences in market conditions in different

#### Phoenix chairman to fight 'back door' takeover plan

BY MARTIN DICKSON

Phoenix Timber Group said yesterday that an attempt was being made to gain control of the company through a board-room shake-up but Mr Dennis Cooke, the chairman, made clear ba would fight the plan.

The Essex-based timber lmporter and processor sald it had received a requisition to bold an received a requisition to bold an extraordinary general meeting at which resolutions would be proposed to appoint to the board Mr David Edelman, Mr Geoffrey Hoffman and Mr Michael Teacher. The same resolution would also remove any additional directors appointed between the date of the requisition and the EGM.

company, Solarosa, controlling a further 1.3 per cent.

Mr Edelman end Mr Hoffman are believed to be associated with Equity and Share.

Phoenix said that if the resolutions were to be legally implemented, the concert party and Mr Hermann would control the board.

It added that the company's three directors other than Mr Hermann were considering the proposals. But E. Cooke later made clear that he would fight the plan. "Where's the offer to sbareholders?" ha asked. "You

would also remove any additional directors appointed between the date of the requisition and the EGM.

It said, the requisitionists ioclude Mr Michael Hermann, a director of Phoenix, who speaks for 24.24 per cent of the company's shares, mainly through a stake bold non-beneficially; and a concert party consisting of Equity and Share Co (London), which holds 10.1 per cent of containing the containing of the containing through a stake bold non-beneficially; and concert party consisting of Equity and Share Co (London), which holds 10.1 per cent of containing the containing through the containi

Abridged summary of Results for the Year ended 31st March, 1985

	31.3.85	31.3.84	Increase
	£'m	£'m	%
Total income	148.4	137.7	7.8
made up of			
Rental income	132.1	116.1	
Service charges and other recoveries	12.2	12.6	
income from short term deposits	4.1	9.0	
	1440	100.7	40.0
Net rents and interest receivable	114.9	103.7	10.8
Income on ordinary activities			
before taxation	95.6	84.0	13.8
Taxation	36.6	33.3	
income available for distribution	59.0	50.7	16.4
Dividends per share paid (2.6p) and	. 410	36.0	
proposed (5.55p); 1984; 7.267p	41.0		
Earnings per share		_10.23p	14.6
Dividend cover - times	1.44	1.41	

The Knight Frank & Rutley valuation of the portfolio as at 31st March, 1985, in which each property was valued individually and in its present state, totalled £2,335.7m, an increase of £147.3m over the valuation at the previous year end. Taking into account expenditure on properties, £69.4m, and the aggregate book value of properties sold, £24.9m, during the period, the surplus on revaluation was £102.8m, an increase of 4.6% (1984: 6.6%).

Having included the valuation in the Accounts at 31st Merch, 1985 and without adjusting for any taxation payable in the evant of properties being sold, the Consolidated net assets of the Group at that date amounted to £2,016.5m, on which basis the net asset value per share is 401p.

In last year's Directors' Report reference was made to the fact that over 1 million sq. ft. of air-conditioned office space in the City, West End and Victoria was in the process of being redeveloped or refurbished. By the end of March 1985, 912,000 sq. ft. of this space had been completed or virtually completed, of which 852,000 sq. ft. had been let or the terms for letting agreed and 60,000 sq. ft. completed and not let. The balance, 156,000 sq. ft., is not due for completion until later this year or next year.

At 31st March, 1985 Group short term funds amounted to £25.1m and agreed realisations of property, for which contracts had not yet been exchanged, aggregated £9.4m. At that date capital commitments, including expenditure phased over periods of up to two years to complete developments, totalled £46.1m. The bank facilities available to the Group have been increased to £50m.

The full Report of the Directors and the Accounts for the year containing an unqualified Report by the Auditors, a detailed property portfolio review and a list of the Group's major property holdings are due to be distributed to Shareholders on 30th May, 1985. Non-shareholders who would like a copy are requested to write to The Secretary:-

Devonshire House, Piccadilly, London W1X 6BT LAND SECURITIES PLC

170U- 13.1V 1701-13.7N 1704 - 17.1V 1703-43.TU

CLUE: 5 years of consistently good earnings per share. For the full story, send for the 1984 Report and Accounts which clearly explains the figures.

BTR PLC, SILVERTOWN HOUSE, VINCENT SQUARE, LONDON SWIP 2PL 01-834 3848.

ANSWER 1980 - 13.10 1981 - 19.10 1982 - 25.40 1984 - 34.40

# Mowlem

Technological Services for Construction and Industry.

Key points from Mr Philip Beck's statement to shareholders

- Turnover up by 28% from £300m to £385m
- ♣ Pre-tax profits rose by 10% from £10.1m to £11.1m
- **❖** Dividends up by 6.5%
- \* Mount Pleasant Airport in the Falklands opening on schedule
- \* £58m Docklands Light Railway now under
- Buehler continued to make good progress
- \* London STOLport planning decision expected
- \* Property development made markedly increased

Summary of Results	1984 £m	1983 £m
Turnover Profit before tax Profit after tax	385.0 11.1 7.3	300.0 10.1 6.5
Earnings per share Dividends per share (net)	28.7p 11.93p	27.0p 11.2p

Copies of the Annual Report, containing the Chairman's Statement in full, are available from The Secretary, Westgate House, Ealing Road, Brentford, Middlesex TW8 0QZ.

John Mowlem & Company PLC ridged results reflect the unqualified audited accounts filed and to be filed with the

This advertisement complies with the requirements of the Council of The Stock Exchange.

**Dome Petroleum Limited** (Incorporated in Canada with limited liability)

34,500,000 Common Shares (without nominal or par value)

Warrants to Purchase 17,250,000 Common Shares

The following international underwriters have agreed to subscribe or procure subscribers for 5,859,100 Units, each Unit consisting of one Common Share and one balf of a Warrant:—

Union Bank of Switzerland (Securities) Limited

Bayerische Landesbank Girozentrale European Banking Company Limited

The offering price of the Units is Cdn.\$3.55 per Unit. Application has been made to the Council of The Stock Exchange for the Common Shares and the Warrants to be admitted to the Official List, subject only to the issue of temporary global certificates in respect thereof.

Listing Particulars relating to Dome Petroleum Limited, the Commoo Shares and the Warrants are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 17th May, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 29th May, 1985 from:

VIEWPLAN plc

non-broadcast equipment with or without the provision of technical support staff, to several hundred clients, including major television networks and production companies, for conferences, productions, exhibitions and outside broadcasts.

**Placing** 

Robert Fleming & Co. Limited

of 2,500,000 Ordinary shares of 5p each at 120p per share

SHARE CAPITAL

Ordinary shares of 5p each

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued ordinary share capital of the Company in the Unlisted Securities Market. A proportion of the shares being placed is being made available to the public through the market during market hours today. It is emphasised that no application has been made for these securities to be

Particulars relating to the Company are available in the Extel Statistical Services and copies of the Prospectus may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 28th May, 1985, from:

Viewplan's principal activities involve the hire in the United Kingdom of broadcast and

Nomura International Limited

J. Henry Schroder Wagg & Co. Limited

Union Benk of Switzerland (Securities) Limited The Stock Exchange Building. London EC2N 1EY

Authorised

admitted to listing.

14th May, 1985

Robert Fleming & Co. Limited 8 Cooty Square, London EC3A 6AN.

## Change in policy to follow Scottish trust's link-up

BY ALEXANDER NICOLL

THE LAST investment trust to be managed from a solicitor's office is to join e larger manage-ment group in a move which highlights the continuing shake-up in the investment trust

Scottish Northern Investment Scottish Northern Investment Trust, which has total assets of £178m, has been managed since its foundation in 1908 by Paull & Williamsons, an Aberdeen firm of solicitors. Yesterday the trust announced plans for its investment managers to join Stancastle Assets, a fast-growing Edizburgh concern run by Mr. Edinburgh concern run by Mr Willie Forsyth. Sharebolders will be asked to

Sharebolders will be asked to approve a management switch to Stanecastle and a change in investment policy in order to emphasise capital instead of income growth and to increase substantially the trust's exposure to foreign stock markets, especially outside the U.S.

The trust plans an issue of warrants on the basis of one for every five ordinary shares. Each

every five ordinary shares. Each warrant would entitle the bolder to buy one ordinary shares.
Once the proposals are

Reuters quiet

on UPI talks

Reuters yesterday declined to comment on a report that it was about to make a bid for the American news agency UPI, which has filed for protection

from its creditors in a Federal The report from UPI quoted unidentified company sources saying that several Reuters

executives were to meet UPI's president, Mr Ray Wechsler, and the UPI chairman, Mr Luis Nogales, to propose a purchase plan today.

Reuters said: "We are not

15th May, 1985

S. G. Warburg & Co. Ltd.

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Société Générale

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W. Greenwell & Co.

Bow Bells House, Bread Street, London EC4M 9EL

By Lionel Barber

of growing interest from across and will retire from Paull & the Atlantic io UK investment Williamsons, which will remain the Atlantic io UK investment trusts. It may consider a U.S. office or a link with a U.S. invest-

ment management coocern.
Mr Fred Dalgarno, investment manager of Scottish Northern, said the management switch has been forced by a need to expand the management team "to take account of the changing oeeds of specialist investment manage-It was difficult, be sald, to

to Aberdeen. Scottish Northern. baviog decided that the best way forward was to seek partners,

Mr Dalgarno and Mr Ian dend.

Massie, assistant investment manager, are leaving Paull & responded to the news with a Williamsons to join Starecastle, which currently has a cent below net asset value.

approved, Scottish Northern team of three fund managers, plans to attract more U.S. Mr Joe Yeoman will remain investors, following recent signs chairman of Scottish Northern, and proving interest the signs of street from Pauli & as secretary and legal adviser to the trust.

The move will also mark a

castle, of which funds under management now total some f50m, including Edinburgh Financial Trust and Shires Investment. The group has been built up by Mr Forsyth and Mr Iam Smith since the former's departure from Edinburgh Investment Trust in 1982.

The new investment noticy is

The new investment policy is forward was to seek partners, held discussions with several potential managers before deciding on Stanecastle. The trust'a in non-UK markets, especially in advisers are stockbrokers Laing & Cruickshank.

Mr. Dalgaran trust will aim to invest up to 75

#### Keep controls 32% of Adams and extends offer

Keep Trust yesterday announced that it beld almost 32 per cent of ordinary shares in Adams & Cibbon, the Newcastle-upon-tyne-based Vauxifall Opel main dealer and was extending its £4.4m cash offer.

Keep's advisers, Charterhouse Japhet, said that Keep had not

the motor distributors. making any kind of comment on these reports."

44.4m cash offer.

Keep said it had received acceptances from shareholders preference shares in Adams representing almost 20 per cent during the offer period which of the equity, including the 14.39 has now been extended to Tuesper cent stake beld by Grovebell, the motor distributors.

Keep's advisers, Charterhouse Keep had not acceptances from shareholders preference shares in Adams representing almost 20 per cent during the offer period which has now been extended to Tuesper Charterhouse Keep's advisers, Char

These acceptances, added to Keep's 11.39 per cent holding in Adams, mean that Keep now controls 31.71 per cent of the company. Yesterday was the first closing date for Keep's offer.

Keep a holding company with 48 per cent in keep produced a first closing date for Keep's offer.

Keep, a holding company with 48 per cent rise in pre-tax profits interests in motor trading, from £1.15m to £1.71m, on turn-engineering and investments, is over of £36.5m.

#### Muirhead drops fight against RHP bid

BY MARTIN DICKSON

SHARES IN Mulrhead, the manufacturer of facsimile transmission systems and electrical components, yesterday fell 32p on the delighted Mulrhead have come day, closing at 162p, following across. He thought the company's announcement pany could Alt, well with BUP that it was abandoning its fight against a £15m takeover bid from profits is should quickly be RHP Group and was recommendated in the company and was recommendated by more concerned against a £15m takeover bid from restored.

Minithead's initial response to buy shares in the

In a statement, issued after the market closed on Monday night, Muirhead said that a review of its trading position had revealed continuing delays in the placement of UK and overseas defence contracts. It had also down 1p, that values Muirhead led to increasing concern about the company's prospects for the casb alternative.

wbolly inadequate." RHP is offering eight of its shares for every five of Muir-bead's. On the basis of RHP's closing price last night of 105p,

#### **COMPANY NEWS IN BRIEF**

Anglo Nordic Haldings has disposed of its Braby Economic Appllances business and bas purchased H.M.I. (Engineering). Braby bas been sold at book value of £707,300 to a private from 0.53p to 0.55p. Stated earn-purchaser, Mr G. F. Taylor. H.M.I. has been acquired for a total of £191,000.

Anglo Nordic will now be one of the largest manufacturers of aircraft ground support equipment in the world.

Nat losses of H.M.I. (after

ordinary ahares, or 0.12 per cent, and the offer bas been extended until May 28. Trafalgar is considering its response to a rival £55m management buyout plan for Haden.

meot in the world.

Nat losses of H.M.L. (after deducting all charges except tax and excluding extraordinary items) attributable to the business acquired for the year to October 31 1984, were £176,000.

Turnover was £5.94m.

Anglo Nordic acquired the sbare capital of H.M.L. for £191,000, as compared with the net tangibla assets of H.M.L. at February 28 1985 of £529,000. goahead for Britain's biggest-ever retail merger between Associated Dairies, the Asda superstores group, and furniture company MFI. Trade Secretary

Seccombe Marshall and Campion, the discount bouse, made a profit after tax of £170,155 (£485,973) in the year to end-April 1985, during which it was taken over by Citicorp International. Following take-over expenses of £80,000 and an interim dividend payment totalling £96,000, retained profits at tha year-end were £579,613,

The Government has given the

#### **DIVIDENDS ANNOUNCED**

Current	Date of	.Corre.		Total last	
payment	payment	div.	year	year	. '
Caparo Props 0.5	July 5	Nil	0.5	Nil ·	
and Securities 5.55:	_	4.91	8.15	7.27*	
Frederick Cooperint 0.55	July 5	0.53	—	1.77	
Smray 0.6	_	0.5	0.9	0.75	
Fulcrum Invest Tst int 2.2	Oct 31	2.2		5.25	
Sears Hidgs 2.2	-	1.8	2	2.5	
Seccombe Marshall Nil	_	14	.6	20_	
Spear & Jackson 4	<u> </u>	3.5	5	5.25	
Rivia 45	_	2.25	4.5	2.25*	
Dividanda shaum menes per share	net excet	it where (	HUGLAS	se statec	٦,

\*Equivalent after allowing for scrip issue, increased by rights and/or acquisition issues. § Unquoted stock,

#### Stylo ahead of forecast with profits at £2.4m

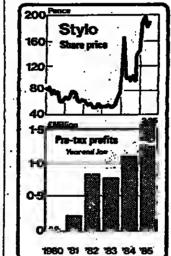
Style, which in February fought off e partial takeover bid from British Land, has announced more than doubled pre-tax profits for the 53 weeks to February 2 1985, of £2.35m against £1.1m previously.

This is e slightly better result than the £2.25m forecast by Mr Arnold Ziff, the chairman in his January letter to shareholders recommending a rejection of the British Land teoder. For the first half, as is usual

for the hist hair, as is abuse for this footwear retailer and wholesaler, losses of £549,000 were incurred. Af that stage these had been trimmed from the previous £583,000.

The single final dividend is effectively increased to 4.5p net compared with an adjusted 2.25p. Stated net earnings per 25p limited voting share are shown higher at 8.86p (4.29p).

On turnover ahead by £9.94m at £58.75m, a trading profit of



£3.31m (£1.91m) was generated. The pre-tax result was struck after interest payments of £1.28m (£817,000), but included other income of £318,000 (nil). Tax took more at £514,000 against £201,000, and there was an extraordinary debit of £100,000 (nil).

The directors consider Stylo to be a close company for tax purposes following the purchase by the Ziff family and associates in February of a further block of limited voting shares. The Ziff family also hold management shares accounting for 44 per shares accounting for 44 per

Mnirhead's initial response to the hid had been to reject it as market to increase it 25 per cent stake. But to send the shares down 3p to 190p was a churlish way to react to the first piece of concrete evidence that Mr Arnold Ziff is at last set on improving the company's shabby profit record. Most of the advance in 1984 came from the retail group, and margins improved in response to recent upgrading of stores and product ranges. The bulk of the beoefits have still to be felt; and in the current year, another £2m will be spent on refurbishment, while a further boost should come through from the successful introduction last year of the Electronic Point of Sala system. Even if profits rise to £3.2m this year, a p/a of over 16 on a 30 per cent tax charge, Is over-generous on earnings grounds alone. Of course with British Land still Infking in the wings, earnings aren't the only

#### **BOARD MEETINGS**

TODAY Interims:—Seggaridge ärlck, äush adio, General ätockholders Invest-sent Trust, Grand Metropolitan, NSS ewnagents, Stockholders Investment

consideration. Ziff maintains that any bid below asset value (253p

per share at year end) will not

Newnagents, Stockholosis
Trust.
Finals:—Duport, Hartwells, London
and Northarn, North Sea and General
Oil Investments: Smith, St. Aubyn,
Tern Group, Whitbread Investments.
Witan Investment.

000,000,12

## GA first quarter underwriting losses increase to £85m

THE IMPACT of severe winter weather worldwide resulted in the General Accident Group, one of Britain's largest motor insurers, recording a pre-tax loss of £18m in the first quarter after recording underwriting losses of £84.6m.

In the first quarter of 1984. GA recorded a pre-tax loss of £16.5m after underwriting losses of £80.3m.

Investment income rose by

of £80.3m.

Investment income rose by 3.3 per cent in sterling terms from £62.8m to £64.9m, with an underlying growth of 7.9 per cent excloding currency fluctuations. Indeed curreocy changes bad the effect of increasing both underwriting losses and investment income by £4m, leaving tha pre-tax loss unchanged.

A tax credit of £9.4m against a credit of £7.8m last year resulted in a nat loss to share-bolders of £9.3m compared with a loss of £9m for the first quarter last year.

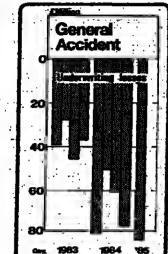
Net premiums on general insurance business rose by 6.4 per cent from £411.8m to £438.4m, with an underlying increase after allowing for currency fluctuations of 11.5 per cent.

rency fluctuations of 11.5 per cent.

Net asset value rose from 828p per share at the end of 1964 to 840p at the end of the first quarter, with the acivency margin declining slightly from 82.4 per cent to 81.9 per cent.

The impact of bad weather though sever in the UK over the period was somewhat less than the impact at the beginning of 1964—a reversa situation for the experience in tha U.S., Canada and the rest of tha world where and the rest of the world where weather losses are even higher

Nevertheless, underwriting losses in the UK were marginally lower et £30.9m against £31.1m in the first quarter last year on to fis2.6m. Losses on the homeowners account dropped from fi2.6m to fi3.3m and on com-



**Varkh** 

vior-1

mercial property from £12.8m £10.4m — the latter account neating from substantial to £10.4m · premium increases an unusually high number of large fire claims.

It was the substantial motor account that caused problems in the UK in the first quarter with the upsurge in claim numbers seen at the end of 1984 con-tinuing into 1985. Underwriting losses rose from fi.9m to f7.7m. In the U.S. net written premiums rose from US\$213.8m to US\$240.3m—tha increase coming solely from premium rises. The operating ratio for the quarter was 119.75 compared with 119.53 for the first quarter

gate underwriting losses of £16.2m compared with £13.4m, with some improvement in the EEC countries being swallowed up by sharply increased losses in Canada, Australia and New Zealand.

#### MINING NEWS

#### Amcoal's recovery gathers strength

THE RECOVERY in earnings of the Anglo American Corporation group's Anglo American Coal profits from the new collieries group's Anglo American Coal which serve the South African Corporation (Amcoal) gathered strength in the second half of in interest received. The other the year to March 31. Net profits in interest received. The other major South African coal boost to income of the weak South producer advanced by 42 per African rand against the U.S. cent—to R155.2m. (fism) from dollar, in which, coal sales are R195.2m. (fism) from dollar, in which, coal sales are contracts the company did not cents per share. Amcoal is raising its final dividend to 132.5 cents (53.8p), making a total for the year of 195 cents, against 145 cents. At last night's price of f171, cumdividend, this puts the shares on a 5 per cent yield basis.

Comment

Ameoal's strong performance which sales are arrings seem set for a further increase, although not as moch as in the past year which followed a dull patch

Amcoal'a strong performance which followed a dull patch.

### Sudan gold mine confirmed as a commercial viability

AN INDEPENDENT report by gold per tonne on the basis of a gold per tonne on the basis of a builton price of \$302 per ounce, thus leaving 23.3g to represent gross operating profits.

At present Gebeit is mining at an annual rate of 9,000 tonnes of ore, bot this is to be raised.

Owned as to 49 per cent by Greenwich Resources and 51 per cent by the Sndanese Govern-ment it is in a mining area with a history dating back to the pharaohs.
Geological reserves at tha higher grade Wadi "A" and "Y" lodes et Gebeit have been assessed et 175,000 tonnes of ore with an expected gold recovery grade of a high 28 grammes par

tonne. This is in addition to other, lower grade, reserves and likely extensions to the main lodes.
The consultants estimate that operating costs will equal 4.7g

an annual rate of 9,000 tonnes of ore, bot this is to be raised to 50,000 tonnes during 1986. The agreement with tha Sudanese Government provides for Greenwich to recover all costs incurred—about \$3.75m—in

costs incurred—about \$3.75m—in bringing the mine to production before any allocation of profits is made. They will be free of Sudanese tax for five years. LADBROKE INDEX 1003-1007 Based on FT Index Tel: 01-427 4411

# mies Acus 1948 to 1981)

Placing

by

Lazard Brothers & Co., Limited of 500,000 Ordinary shares of 10p each at 300p per share

Authorised -

Share capital in Ordinary Shares of 10p each

Issued and to be issoed fully paid \$2400,000

Holmes & Marchant Group PLC is the holding company of a marketing consultancy group offering a comprehensive range of services in sales promotion and graphic design.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary shares of Holmes & Marchant Group PLC in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. A proportion of the shares being placed has been offered to, and is available through, the market at the date of

this advertisement. It is anticipated that dealings will commence on Tuesday, 21st May, 1985. Particulars relating to the Group are available in the Extel Statistical Services and copies of the Placing Particulars remains to the Group are available business hours on any weekday (Saturdays excepted) op to and including 3rd June, 1985 from:

2t Moorfields, London, EC2P 2HT

Lazard Brothers & Co., Limited

15th May, 1985

London, EC2R 7AN

Сахелоче & Со.

12 Tokenhouse Yard

Kennedy

#### **UK COMPANY NEWS**

#### Markheath 1-for-1 rights to raise £7m

By Stefan Wagstyl

General

Accident

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Markheath Securities, the North London property company headed by Mr Paul Bobroff, chairman of the company which owns Totten-ham Hotspur Football Club, yesterday announced a heavy loss for 1984 and a one-for-one

rights issue.
The company suffered a £2.4m pre-tax loss, including a £1.65m exceptional loss on e major office development in Stratford, East London, In 1983, pre-tax profits

were E.1m.

The rights issue, underwritten by merchent bank Robert Fleming, is expected to raise 57.3m which will be used to cut group borrowings of £11.3m and fund the company's plans to set up a portfolio of investment properties.

The new shares are offered at 50p each, against a stock market price for existing shares of 58p, down 12p yesterday.

Mr Bobroff said that while the losses over the Stratford develop-ment had increased the amount of money the company was rais-ing from shareholders, a rights issue would have been launched

in any case to finance the planned investment portfolio. Hitherto, the company has been a property developer, and not held investment properties of its held investment properties of its own.

The Straiford losses occurred because the company has been unable to let a building com-pleted in early 1984. It has now sold the freehold to an institu-tional investor, but taken back a 25 year lease on the property. It is still looking for tenants but believes that satisfactory letting arrangemens can be reached and

arrangemens can be reached an that no further provision will be needed. eeded.
Mr Bohroff said that by going into East London, the North London-based company had gone

beyond its traditional area and made a mistake.

The company is paying a 5.2p final dividend for 1984 making an unchanged total payout of

an unchanged total payout or 9,75p.
Markheath is forecasting profits of not less than £1.4m pre-tax for the 15 months to the end of March 1986, including £300,000 from rental income. It intends to pay a dividend of £85p on the anitand phare anital. enlarged share capital.

Markheath plans developments
worth a total of £24m over the

next two years.
Mr Bobroff and his board are taking up their rights issue entitlement only in part so that their stake in the company, which was floated on the USM in 1981, and was listed in 1983, will fall from ebout 50 per cent to under 40 per cent.

# Spear & Jackson recovery setback

A DOWNTURN in the second half of 1984 has limited the extent of Spear and Jackson's recovery from the depressed results of the early 80s, despite an increase of nearly 12 per cent in the year-on-year taxable

result.

Profits fell from £834,000 to £528,000 in the second term, leaving the group—a Sheffield-hased manufacturer of saws and hand, garden and engineering tools—with £1.36m for the full year against £1.22m. Mr Stephen de Bartolome, the chalrman, says that the outcome reflects the additional costs arising from new products introductions, the adverse effects of the miners' strike, and a distinct slackening strike, and a distinct slackening in activity et the North Ameri-can subsidiary in the second half.

He adds, however, that the current yeer has started strongly, except in North America where the lumber industry is still depressed, and he regards prospects as "encourag-ing."

The final dividend is to be raised from 3.5p to 4p for a total of 6p for the year (5,250). Earnings per share are stated at 15.1p against 13.9p.

Turnover rose by £4.77m to £36.34m producing operating arosits of £1.76m against £1.66m.

After this and tax et £488,000 (£418,000) attributable profits fell from £743,000 to £634,000.

Comprenting on the years' trading performance, the char-man said that in Spear and Jack-son (Tools), much of the prepara-tory work has taken place within the company. This reduced the 1934 profits, which were already adversely affected by the exceptionally dry weather during the spring gardening season.

The hoard believes that this will prove to be only a lemporary setback and that the tools com-pany is now poised for profitable In the first half of the year e national TV advertising cam-

poign was launched to establish domestic fertiliser products, end in particular lawn repair, as an effective force, Costs were high, and represent an investment in the future, says the chairman.

further new products to the range and maintain the momen-tum with continued advertising. In the second half of the year a new marketing strategy for garden tools was implemented. The chairman says that this strategy appears to have been successful, but has also had the

Stephen de Bartelome

but is expected that the shortfall The company plans to add 1985.

One of the main developments In 1884 was the acquisition of the saws division of Firth Brown Tools. Mr de Bartolome says that cost savings and the increased volume of the husiness should significantly enhance profitability in the current year.

The chairman believes that the effect of reducing despatches in the group to show further advances in profitability in years to come.

An extraordinary item took f198,000 (nil), representing the two quarters and extraordinary item took f198,000 (nil), representing the two quarters the period as a whole. This has associated with the discontinua-

#### **Brookes** comment in £9.7m By coming in almost £250,000 By coming in almost £250,000 below forecast Spear & Jackson appears to have lost a year in performance terms. Analysis' forecasts of £2m pre-tax for the 15 months to the new March 1988 year-end only rend to confirm this. Although the £450,000 launch costs of the group's lawn care fertaliser range could he added back in by the generous, the return on this outlay looks cash call

THE hoard of Kennedy Brookes THE hoard of Kennedy Brookes proposes to raise approximately 19,65m net by wey of an underwritten rights issue of up to £10m 61 per cent convertible unsecured loan stock 2002 on the hasis of £7.826 nominal of stock for every 10 ordinary added back in by the generous, the return on this outlay looks uncertain with the company only forecasting hreakeven for the current period. In North America the film contribution of 1984 will certainly not be repeated this year as major lumber company customers are embroiled in hitter industrial disoutes. In addition the revival of U.S. house building starts has

The stock when fully converted would result in the issue of up to a further 3,278,689 ordinary shares of the company. The final redemption dete of the stock will be December 31 2002. Kennedy Brookes believes in expanding its hotel interest, and will thus extend Gbyll Manor and is looking to acquire further hotels as and when the opportunity arises.

The board also recognises the importance of frequent refurb-ishment and modernisation programmes for the company's restaurants and catering opera

in North America. A higher UK contribution to pre-tax profits fnet of central costs this was £342,000 last year) will see a sharp drop in the tax rate—at home almost nn tax at all will be paid as some of the over flm in unclaimed allowances are called up. This should see earnings per share growing more quickly than profits and could herald further increases in the dividend. For 1884 the payout rise has taken the group's yield A recent development in the group's activities is the grant of franchises whereby selected third parties are licensed to operate restaurant premises, acquired or refurbished by the group under one of its establishment. acquired or returbished by the group, under one of its established trade names.

To-date, franchises of the Wheeler's and the Cafe des Amis names have been granted, and it is the contract of the contract.

is oroposed to expand this activity, extending it also to the Mario and Franco name.

The issue will provide the company with the means of pursuing its policies as well as with the ability to take advantage of future interesting the contraction.

future investment opportunities.
In the short-term, the net proceeds of the issue, estimated at £9.65m, will be applied in reduc-ing the group's borrowings.

U.S. DOLLAR DENOMINATED 9½ PER CENT. CONVERTIBLE SUBORDINATED BONDS 1996 ("THE BONDS")

#### NOTICE TO BONDHOLDERS

NOTICE TO BONDHOLDERS

The Board of Directors of AGA Aktiebolag ("the Company") have decided to submit to the Annual General Meeting of Shareholders to be held on May 31, 1985, proposals (i) to increase the share capital of the Company through a bonus issue by converting amounts standing to the credit of statutory reserves to share capital and simultaneously consolidating the same so that each of the shares of the Company will have a paid up nominal amount increased from Swedish Kronor 50.- to Swedish Kronor 75.- and (ii) to amend paragraph 3 of the Articles of Association of the Company by an alteration of the nominal amount of cach of the shares of the Company accordingly and by sub-division from Swedish Kronor 75.- to Swedish Kronor 25.- whereby each holder of either A or B shares in the Company—after the aforementioned bonus issue and sub-division—will hold three such shares, each of a nominal amount of Swedish Kronor 25.-, for each share of a nominal amount of Swedish Kronor 50.- previously held, each such share of Swedish Kronor 25.- to be of the same class and designated free or restricted in the same manner as the share previously held.

Pursuant to Condition 5 (h) (7) of the Bonds, the Conversion Agent.

Pursuant to Condition 5 (h) (7) of the Bonds, the Conversion Agent, Svenska Handelsbanken. Stockholm, has—with the epproval of the Trustee. The Law Debenture Corporation p.l.c.—with the epproval of the Trustee. The Law Debenture Corporation p.l.c.—determined to modify Conditions 5 (h) (2) and (i) (4) (C) of the Bonds in relation to the proposed bonus issue and sub-division 50 that no "ex period" will apply thereto. Thus, all B shares which are issued on conversion of Bonds during the period ending on June 25, 1985 (the proposed Record Date for the bonus issue and the alteration of the nominal amount of the shares by sub-division) and which are registered with the Patent-och Registratiringsverket (the Patent and Registration Office) prior to such Record Date, will be of a nominal amount of Swedish Kronor 50.—each and will perticipate in the bonus issue and the sub-division. All other B shares which are issued on conversion of Bonds will be of a nominal amount of Swedish Kronor 25.—each and the relative converting Bondholders will benefit from the pro rata adjustment in the Conversion Price which will be effective from and including June 26, 1985.

If the proposed bonus issue and the alteration of the nominal amount of the shares of the Company by sub-division is approved by the Annual General Meeting on May 31, 1985, the adjusted Conversion Price applicable from and including June 26, 1985 will be Swedish Kronor 59,- and a further notice of the adjusted Conversion Price will be published on July 10, 1985 at the larger

Lidingō, May 15, 1985

AGA AKTIEBOLAG The Board of Directors

## 'DTI probe hits Emray growth'

BY NIGEL CLARK

EXPANSION PLANS for Emray, of certain peculiarities relating turoover up from £16.52m to the financial services and vehicle to the shareholder's register, £21.74m, distribution group, are being which led to doubts as to the beneficial ownership of a significant the company's main areas. distribution group, are being which led to doubts as to the held up by the continuing beneficial ownership of a significant proportion of the equity.

Industry investigation into the company's shareholders' register, acquisitions have been assessed chairman, Mr Lionel Altman, said yesterday.

He sald that the inquiry had depressed the share price end limited the company's optons when considering new aquisitions. Attempts to discover from the DTI when the report will be made had met with no success, he said. The group's 5p shares closed unchanged last night at

but frustrated by the depressed

share price.

Mr Altman emphesised that the companies considered are in the group's existing areas of business. That is despite com-ments made following the annual meeting in July last year. Mr Murdoch Morrison, one of three new directors elected at the meeting, then said thet he would be asking the board to consider buying two companies in the fields of electronics/reprographics and telecommunications

Major advances were made in both the company's main areas. The motor division had a record year and financial services contributed more than half the company's profits for the first

A final divideod of 0.6p is being paid, making a total of 0.8p (0.75p). Earnings per share are 2.13p (1.62p).

The chairman says that the success of financial services justifies the decision to develop closed unchanged last night at 173p.

Inspectors were appointed would be asking the board to consider huying two companies under Section 173 of the Companies Act last year following the sale by Taddale, the property investment group, of its 27.6 per cent stake in Emray.

Mr Altman says in the amouncement of results for the 1984 year ere amouncement of results for the 1984 year ere amouncement of results for the 1984 year ere appointed in the meeting, then said thet he companies during the companies on the fields of electronics/ munications.

Despite the problems Emray with £25,000 in the early days of the division five years ago.

While expressing caution, Mr Altman says the the would be asking the board to consider huying two companies in the fields of electronics/ munications.

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Despite the problems Emray with £25,000 in the early days of the division five years ago.

While expressing caution, Mr Altman says the the would be disappointed if results for the previous year's present year did not exceed year. a comprehensive financial divi-

#### **USM NEWCOMERS** Holmes & Marchant valued at £12m

of U.S. house huilding starts has not led to any sustained growth In sales—in fact the first quarter order book is well down overall in North America. A higher UK

By Lucy Kellaway

Marketing consultants Holmes & Marchant is Joining the USM via a placing of 500,000 shares at 300p arranged by Lazard Brothers. Of the increased equity 12.5 per cent is being placed to raise f1.3m after expenses, all of childs represent new central for which represents new capital for the company. At the placing price Holmes & Marchant is velued et £12m.

The company specialises in "helow the line" marketing, which encompasses everything but media edvertising, and accounted for about half of the from spent in the UK on marketing the war helmes to Marchant iog last year. Holmes & Marchant offers a range of services in graphic design and sales promotion to clients mainly in the grocery and consumer goods industries.

It hopes to broaden this base to take in a wider range of customers, and in February 1985 e Financial Statements subsidiary was set up to tap the growing market in the design of financial accounts. financial accounts.

In the last two years its 10 largest cileots accounted for about half of gross profits; in customer will represent more than 15 per cent.

Holmes & Marchant was incorporated in 1971, and in the year ended September 1984, it made pro-tax profits of £574,000 on sales of £2.6m, efter five years of steadily increasing turnover, and four of rising profits.

four of rising profits.

In the current year the company is forecasting a 39 per cent increase in profits to £940,000, which implies a price earnings multiple of 21 at the placing price (on an estimated 44 per cent tax charge). The forecast yield is 1.7 per rent assuming an annual pet dividend of 3.5p e share.

#### Viewplan to raise £1.5m

Viewplan is coming to the USM via a placing, announced yesterday by Robert Fleming, of 2.5m ordinary shares at 120p a

share.

The placing, which represents 23.3 per cent of the enlarged equity, will raise £1.5m new capital for the company, with the remeining 1.1m shares being sold by existing share-bolders. At the placing price, the company is capitalised at £12.9m.

Viewplan bires broaders, and

et £12.9m.

Viewplan hires broadcast and non-broadcast equipment in the UK either with or without technical support staff for use in conferences, exhibitions and outside broadcasts. It sells to over 200 customers spanning a range of industries, and including the BBC, Virgin films, Ford and Holiday Inns. No single customer accounts for more than 5 per cent of turnover.

Recently the company set up

Recently the company set up a training centre at Leeds University to teach video production techniques, and plans shortly to start courses for broadcast engineers

In February, Vlewplan acquired Diagnostic Systems, a specialist software company, whose expertise it will eventually use to develop control systems for its

The company was established in 1981, since when it has increased profits from around 125,000 pre-tax to £433,000 in the year to March 1984 on sales of £1.4m. For the year just ended, the company estimates it made number here tax of it made profits before tax of 1700,000. There is no forecast for the current year.

The new capital will be em-

The new capital will be employed to expand the company's existing non-broadcast operations, to open new hire hranches in the UK, and to increase the range of equipment available for hire.

At the placing prices, the shares are valued at 21.8 times estimated 1985 earnings, assuming a 35 per cent tax charge. A

lng a 35 per cent tax charge. A net dividend of 1.25p for the year to March 1986 is forecast which gives the shares a yield of 1.3 per cent. Dealings are expected to begin on May 20.

## 



## THREE-MONTHS'RESULTS

The results for the three months ended 31st March 1985, estimated and subject to audit, are compared below with those for the similar period in 1984, which are restated at 31st December 1984 rates of exchange; also shown are the actual results for the full year 1984.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

Net written premiums—General Business	to 31.3.85 Estimate £ millions 438.4	to 31.3.84 Estimate £ millions 411.8	Year Actual £ millions 1,689.0
Investment Income	64.9	62.8	266.2
	(84.6)	(80.3)	(268.3)
	2.2	1.4	7.7
Loan Interest	(17.5)	(16.1)	5.6
	0.5	0.4	1.7
Profit (Loss) before Tax and Minority Interests Taxation Minority Interests and Preference Dividend	(18.6)	(16.5)	3.9
	(9.4)	(7.8)	(8.1),
	0.7	0.3	2.2
Net Profit (Loss) attributable to Share- bolders	(9.3)	(9.0)	9.8
Principal exchange rates used in translating overseas results U.S.A. Canada	\$1,24	\$1.16	\$1.16
	\$1,69	\$1.53	\$1.53

Net written premiums and investment income increased in sterling terms by 6.4% and 3.3% respectively. Adjusted to exclude the effects of currency fluctuation, the increases were 11.5% and 7.9% respectively.

The first quarter result has again been seriously affected by severe weather losses principally in the United Kingdom but also in the U.S.A., Canada, Australia and New Zealand.

In the United Kingdom, net written premiums were £132.6m (1984, £125.5m) and there was an underwriting loss of £30.9m (1984, £31.1m). This marginal improvement was achieved despite a substantial deterioration in the Motor account result. The upsurge in claim frequency in the second half of last year continued into the first quarter producing a loss of £7.7m (1984, £1.9m loss). The impact of bad weather was taken mainly in the Homeowners and Commercial Property accounts giving rise to losses of £10.3m (1984, £12.6m loss) and £10.4m (1984, £12.8m loss) respectively. These accounts received some benefit from rate increases but the Commercial Property account suffered from an unusually high number of large fire claims. Experience in the Liability classes showed a substantial improvement but remains adverse.

In the United States, net written premiums were \$240.3m (1984, \$213.6m) and the operating ratio was 119.75% as compared with 119.53% for the same period last year. On the United Kingdom accounting basis, the underwriting loss was £37.5m (1984, £35.8m loss). Some further deterioration in personal lines experience was largely offset by an improved result from the commercial accounts which are beginning to benefit from rate increases.

Elsewhere there were aggregate underwriting losses of £16.2m (1984, £13.4m loss). There was some improvement in experience in the E.E.C. territories but the incidence of weather claims led to sharply increased underwriting losses in Canada, Australia and

New Zealand, Single premiums for Life business in the United Kingdom, following the successful launch of our unit-linked products, were sharply up at £31.0m (1984 £14.4m). New Annual premiums were lower at £5.9m (1984 £9.0m), the 1984 figure having been affected by

General Accident Fire & Life Assurance Corporation plc

the pre-budget increase in business.

World Headquarters: Pitheavlis, Perth, Scotland PH2 ONH

DRA

## We face the future with confidence and resilience? FOHN CAMPEN CHAIRMAN

#### HIGHLIGHTS OF THE YEAR

£1174.9 million up 12% Turnover £81.3 million up 14% Pre-tax profit Earnings per share 45.1p up 14%.

1984 was a year of mixed fortune. The improvement in trading conditions which started in 1983 and continued into the early months of 1984 was not sustained during the second half of the year. Trading in the United Kingdom and West Germany became more difficult as the year progressed. However, another strong performance from our Concrete and Aggregates Sector in the United Kingdom and a contribution of increasing importance from our operations in the United States ensured that Group profit before taxation increased by 14%.

In a year in which success was nowhere easy, we were especially dependent on the abilities and commitment of our employees. It is a pleasure to draw attention to the substantial achievements during the year of the people who work for the RMC Group throughout the world.

Looking ahead, 1985 seems likely to be a tough year for us. Throughout the world the outlook for the

construction industry is uncertain, while in the United Kingdom and Europe atrocious weather conditions have meant a difficult start to the year. Nevertheless I am confident that the strength of our team at RMC, and the sound base which we have created, coupled with our strong cash flow, enables us to face the future with confidence and resilience.

The Annual General Meeting will be held at the Hyatt Cariton Tower Hotel, Cadogan Place, London SW1 on 7th June 1985 at 11.30 a.m. if you would like a copy of the 1984 Annual Report please write to The Secretary, RMC Group p.l.c., RMC House, High Street, Feltham, Middlesex TW13 4HA:

THE RMC GROUP OPERATES INTERNATIONALLY IN AUSTRIA, BELGIUM, FRANCE, HOLLAND, HONG KONG, ISRAEL, REPUBLIC OF IRELAND, SPAIN, TRINIDAD, UNITED KINGDOM, USA AND WEST GERMANY.



TUBEWORKERS LTD v TILBURY CONSTRUCTION LTD

Court of Appeal (Lord Justice Korr, Lord Justice Dillon and Lord Justice Parker): April 2 1985

WHERE A person obtains payable to him under a building sub-contract, the court will not set aside the contractual terms by staying execution in the absence of circumstances are "special" depends on construction of the particular contract, and if the sub-contract anticipates and provides muchinory for counter-claims, the fact that the other

party is counter-claiming by arbitration is not a special circumstance justifying a stay.

The Court of Appeal oo held when allowing an appeal by plaintiff sub-contractors. Tuheworkers Ltd. from a decision of Str William Stabb, QC, the senior Sir William Stabh, QC, the sentor Official Referee, to stay execution of a judgment obtained by them against the defendant mein contractors. Tilbury Construction Ltd. The relevant subcontract was made on the Federation of Associations of Specialists and Subcontractors (FASS) form, as amended in 1976.

is counter-claiming by

Ciause 11(a) of the FASS form as amended provides: "The contractor shall ... make application ... to the architect days of the receipt . . . of any certificate . . . the contractor shall . . pay to the sub-contractor the total value

Clause 13 A(2): "The contractor shall be entitled to set off the amount of any tractor by reason of any breach of . . . the sub-contractor, pro-vided: (a) that no set-off relating to delay shall be made unless...
the certificate of the architect
referred to [in clause 8(a)] has
been issued...(c) the contractor
has given to the sub-contractor

Clouse 8 (o) deals with delays on the part of the sub-controctor and possible extension of time to the bead contractor.

LORD JUSTICE KERR said that the main contract was for tha construction of a swimming pool at Grundy Park. The subconstruction of a swimming pool at Grundy Park. The subcontract was for the supply and erection of structural steel work. 
A dispute arose because the sub-contractors alleged that the main contractors were delaying commencement of the works. 
The main contractors thereupon applied to the architect for a

The main contractors thereupon applied to the architect for a certificate under clouse 8(a) of the sub-contract, dealing with the allegation of delay and asking for an extension of time.

The architect purported to issue a certificate on July 14, 1983, but the main contractor took the view that it was bad. On September 13, before another clouse 8(a) certificate had been cleuse 8(6) certificate had been issued, the architect issued a certificate of peyment under clause 11(2). It certified that £54,728 was payable to the sub-contractors by the main con-

Under cleuse 11(h) that sum

Under cleuse 11(h) that sum became contractually payable 14 days later, on October 4.

The architect finally issued e clause 8 (6) certificate in the proper form on November 9. On November 16, on the basis of that certificate, the main contractors put forward a £97,069 counterclaim against the sub-contractors. On November 21 the sub-contractors issued their writ cialming £54,728 less a 3 per cent retention, and applied for summary judgmont undor Order 14 of the Ruies of the Supreme Court (RSC).

Court (RSC).

Sir William Stahb gave judgment in their favour. He took the view, howover, that if be were satisfied that the main contractor hed a good and arguable counterclaim he ought to order a

notice . . . spocifying his intention to set off . . ."

Clause 13B (1)(e): "If the subprosecution of the counterclaim. contractor . . . does not agree tho amount . . . specified in that claim would have to go to notice the sub-contractor may erbitration. Under RSC Order

(i) give notice of srbitration... 14 rule 13(2) the court might stay execution "until after the trial of any counterclaim." Since cess of the courts.

Generally speaking, the reievant terms of a contract between the parties must be paramount there was not going to be any trial, that could not apply. Under RSC Order 47 rule 1 (a), If the court were satisfied "that there are special circumstances which render it inexpedient to In Northern Regional Health Authority o Crouch [1984] 1 QB 644, 664 Lord Justice Dunn said: "It is not for the court to intervene and replace its own process for the contractual machinery agreed by the parties." At page 667 Lord Justice Browne-Wilkinson said "the court's jurisdiction

and take precedence over the court's discretion under Order 47. In Northern Regional Health

667 Lord Justice Browne-Wilkinson said "the court's jurisdiction
does not include e right to
modify contractual rights."
All that the judge took into
consideration in the present
case was that the main contractors had a good or arguable

That was incapable of con-

stituting special circumstances in reletion to the present form of

contract because the very basis of clause 13A was that a counter-claim or set-off was raised against the sub-contractor.

Mr Fernyhough, for the main contractors, submitted that there

were opecial circumstances be-cause the main contractors' in-

ability to rely on clause 13A was not their fault, but the fault of the architect.

How could that possibly mat-ter so long as it was not the sub-contractors' fault? The mere

existence of a counterclaim and
of the facts whereby the main
contractors were unable to rely
on the contractual machinery

without feult on the part of the sub-contractors, could not con-stitute "special circumstances"

for a stay under Order 47. Such a stay would contradict the terms of the subcontract and substitute the exercise of the

court's powers for those of the adjudicator.

The appeal should be allowed

For the sub-contractors: John

Tackaberry OG and N. S. Baatz (Bragg and Partners, Bristol).

For the main contractors: Richard Fernyhough (Mosons).

By Rachel Davies

counterclaim

enforce the judgment of it might stay execution. On its face, that provision gave an unfettered jurisdiction to the court to order a stay if, in its view, there were "special circum-stances" which made it "in-expedient" not to do so.

The authorities provided no assistance. The issue was to be determined by reforence to the particular provisions of the sub-contract. The essential feature was that the sub-contractors were not only entitled to summary judgment undor Order 14 but, above all, on October 4 thoy became ootilled to immediate payment of the sum certified under classes 11 (h).

payment of the sum certified under clause 11 (h).

That did not deprive the court of all jurisdiction to conclude that there might nevertheless be "special circumstances" which would justify a stay. Thore might be special circumstances it, for instance, due to some fault or improper conduct on the sub-contractors were unable to invoke and rely on the machinery of clause 13 A. But nothing of the kind was alleged here.

Without any special circumstances the stay had the effect of setting asido the terms of clause 11 (b). The judge had put the sub-contractors in a worse position than they might

worse position than they might have been in had the main con-tractors been able to invoke the machinery of clause 13 A.
In that ovent the immediate

th that overs me immediate decision as to what was to happen pending arbitration would have gone to an edjudicator under 13 B, and he might have ordered that all or part of the money was to be paid to the sub-contractors. Under the judge's order navment Lord Justice Dition and Lord Justice Parker agreed, Under the judgo's order payment

would have to swaft events in the arbitration.

What the judge had done, in effect, was to replace the con-tractual machinery with the pro-

Highlights from the address of the Chairman, Mr. Peter James, at the Golden Jubilee Annual General Meeting, 14 May 1985.

- Contribution income up to 19% to £6.4 million.
- Private Patients Scheme subscriber population up 13% against an overall market growth of approximately 3%.
- Benefits paid up 18% to £5.4 millions.
- Market value of investment portfolio up 29% to £7.2 million.
- A further 13% membership increase in the first four months of this year.
- New services for members

Monthly subscription payments.

 Comprehensive and competitive travel insurance package, underwritten by Lloyds.

The move into sponsorship

 BCWA, as a central point of the Jubilee Year celebrations. has signed a two year agreement with the British Sports Association for the Disabled (BSAD) for the sponsorship of their Regional and National Athletic Championships which cater for all types of disability.

Health insurance the less expensive way

Copies of the Annual Report and Accounts may be obtained from the Secretary, BCWA, Bristol House, 40-58 Victoria Street, Bristol BS1 5AB. Tel. 0272 293742

#### Granville & Co. Limited

8 Lovat Lane London EC3R 8DT Over-the-Counter Market

						Groan	Yinki		Fully	
	High	Low	Company	Price	Change	div.(p)	. %	Actuel	taxed	
	145	123	Ass. Brit. Ind. Ord	145	_	0.6	4.3	8.0	8.6	
	151-	135	Asa. Grit. Ind. CULS	150	_	10.0	0,6	_	_	
	77	51	Airsprung Group	54	_		11.9	8.0	7.1	
	42	26	Armitage & RhodeE	34	_	2.9	8.5	4.2	7.1	
	146	108	Bardon Hill	146	_	3.4	2.3	14.7	24.0	
	58	42	Gray Tachnologies	53	_	3.9 .	7.4	0.4	7.5	
	201	163	CCL Ordinary	163xd	_	12,0	7.4	4.0	3.5	
	152	110	CCL 11pc Conv. Prei.	110	_		13.9		_	
	120	10	Cerborundum Ord	115x3	- 1	4.9	4.3	5.7	8.9	
	88	84	Carborundum 7.5% Pt.	88	_	10.7	12.2	. =	_	
	73	48	Osborah Services	48	<b>⊸</b> 1	6.5	13.5	4.6	7.4	
•	320	182	Frank Horsell	320	_		_	12.0	16.0	
	268	170	Frank Horsell Pr.Ord.87	260	_	8.6	3,7	10.4	13,7	
•	32	25	Frederick Parker	29	_	_	_	4.15		
	- 68	33	George 8lair	57	_			3.8	7.7	
	50	20	Ind. Precision Castings	20	_		13.5	5.5	5.9	
	216	184	IRIE Group	184	- 1	15.0	6.2	7.3	13.2	
	124	101	Jackson Group	105	_	9.6	4,7	4.9	0.5	
	285	213	James Gurrough	238	-	13,7	5.8	8.4	6.4	
	93	83	James Surrough Spc Pf.	89	_		14.5			
	87	_71	John Howard and Co.	87xd		5.0	5.7	6.9	10.9	
	225	100	Linguaphone Ord	224	_			8.2	8.8	
	100	93	Unquaphone 10.500 Pf.	98	_		15.3			
	650	300	Minihoose Holding NV	640xd		8.9	1.1	27.9	26,6	
	120	31	Robert Jenkins	57	+ 1	5.0	8.9		100	
	80	28	Scruttone " A "	34	_	5.7	16,9	17.9	4.1	
	92	61	Torday & Cartisle	76	_	_	_	6.2	17.3	
	444	330	Travian Holdings	330	=	4.3	1,3	16.9	18,4	
	30	17	Unflock Holdings	30		1,3	4.3	14.8	21.0	
	100	81	Walter Alexander	100	_	7.5	7.5	9.0	12.0	
	247	216	W. S. Yantes	275	+ 1	17.4	7.7	64	11.D	

1984

# **Annual General Meeting**

The Annual General Meeting of shareholders will be held at 4pm on Friday, May 31, 1985, in Lidingo Konferenscenter, Dalensalen, Agavagen, Lidingo, Sweden. reholders who wish to participate in the Meeting should notify AGA of

Notice of participation may be given:
--by mail, to AGA AB, avd AL, S-181 81 Lidingo, Sweden,

-by telephone: +46-8-7311118.

To be entitled to participate in the proceedings of the Meeting, shareholders must be recorded in the shareholders' register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) no later than May 21, 1985.

Shareholders whose shares are registered in the name of a nominee must temporarily reregister their shares in their own name by May 21, 1985. Matters to be considered

Presentation and approval of the voting list.
Election of persons to sign the minutes.
Approval of the notice convening the Meeting.
Presentation of the Annual Report and Auditors' Report for the Company together with the Consolidated Annual Report and Auditors' Report for the Group.
Resolution

solution
to adopt the Statement of Income and the Balance Sheet of the
Company together with the Consolidated Statement of Income
and the Consolidated Balance Sheet of the Group;
m allocate the Company's profit according to the Balance Sheet

so adopted; to discharge the directors and the managing director from all personal liability in respect of the period covered by the Annual . Report.

6. Determination of the number of permanent and deputy members of Determination of the remuneration of the Board and of the auditors.

8. Election of permanent members and deputy members of the Board, if

Election of auditors.

A proposal by the Board for a bonus issue and a sub-division of shares as follows:

• to increase the share capital of the Company through a borns issue by capitalizing from the amount standing to the credit of statutory reserves an amount of Skr 247,928,150, together with any additional amounts that may be required to satisfy conversions of the Company's USS 30 million 9½% 1996 Convertible Subordinated Bonds registered at Patent och Registreringsverket before the record date mentioned below, and simultaneously compandative the several that contributions in the companies of the contribution of the co simultaneously consolidating the same so that each of the shares of the Company will have a paid-up nominal amount increased from Skr 50 to Skr 75; and

from Skr 50 to Skr 75; and
to alter the nominal amount of each of the shares of the Company
by sub-division from Skr 75 to Skr 25 whereby each holder of
either A or B shares in the Company—after the aforementioned
bonus issue and sub-division—will hold three such shares, each of
a nominal amount of Skr 25, for each share of a nominal amount
of Skr 50 previously held, each such share of Skr 25 to be of the
same class and designated free or restricted in the same manner as
the share previously held. The record date for the bonus issue and the sub-division shall be

A proposal by the Board to amend paragraph 3 of the Articles of Association as follows:

Association as follows:

"The share capital of the Compeny shall amount to not less than four hundred and fifty million Swedish Kronor (Skr 450,000,000) and not more than one thousand eight bundred million Swedish Kronor (Skr 1,800,000,000), represented by registered shares of a nominal value of Skr 25 each. The Company may issue shares of two different series, A and B; shares of any such series may at no time make up more than ninety-nine bundredths of all shares in issue. Series A shares shall carry one vote per share?

12. A proposal by the Board to outhorize the Board, until the next Annual General Meeting, to resolve to increase the share capital by a maximum of Skr 438,399,900 by issuing new shares for a consideration other than cash, without preferential rights for existing

13. A proposal by the Board to suthorize the Board, until the next Annual General Meeting, to resolve to issue Convertible Subordinated Bonds, on terms that would increase the share capital of the Company by no more than Skr 438,399,900 on full conversion before adjustment for subsequent issues, for e consideration other than cash, without preferential rights for existing shareholders.

The dividend will be paid to shareholders whose names appear in the share register on the record date, which the Board of Directors propose should be June 5, 1985. Dividend payments are expected to be remained by Vardepapperscentralen VPC AB on June 12, 1985.

Lidingo May 15, 1985

AGA AKTIEBOLAG The Board of Directors

## Angio American Coai **Corporation Limited**

RESULTS FOR THE YEAR ENDED MARCH 31 1985 AND DECLARATION OF FINAL DIVIDEND

	01-001	100 010
Profit before amortisetion, depreciation and taxetion Deduct:	336 834	233 092
Amortisation of mining assets  Depreciation of refractory assets	20 361 6 082 26 443	16 356 5 197 21 553
Profit before taxation	310 391	21 533
Deduct: Taxation—South African normal	78 440 j	24 911
—Deferred	68 158 146 598	67 848 92 759
Profit after taxation	163 793	118 780
Deduct: Profit ettrihutable to outside shareholders in subsidiary companies	6 617	9 580
Profit attributable to shareboiders of Ameeal	155 176	109 200
Dividends deciared:		
No. 123 of 62.5 cents per share declared November 13 1984 No. 124 of 132.5 cents per share doctared May 14 1985	15 275 32 383	12 220 23 218
Total dividends	47 658	35 438
Number of shares in issuo	24 439 890 634.9	24 439 890 446.8
Dividends per share (cents)	195.0	145.0
Interim Final	62.5 132.5	50.0 95.0
Dividend cover	3.26	3.08
Net exponditure on fixed and mining assets	177 859	163 148
The annual report will be posted to members on or about June	3 1985.	

DIVIDEND NO. 124 Dividend No. 124 of 132.5 cents per share (1984: 95 cents per share), being the final dividend for the year ended March 31 1985, hes been declared payable on July 5 1985 to members registered in the books of the company at the close of business on May 30 1985. This dividend, together with the interim dividend No. 123 of 62.5 cents per share declared on November 13 1984, makes a total of 195 cents per share (1984: 145 cents

per share).

The transfer registers and registers of members will be closed from May 31 to June 16 1985, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom officas of the transfer secretaries on or about July 4 1985. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 3 1985 of the rand value of their dividends, less appropriate taxes. Any such shareholders may, bowever, eject to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries in Johannesburg or the United Kingdom on or before May 30 1985. The effective rats of non-resident shareholders' tax is 15 per cent.

The dividend is payshe subject to conditions which can be inspected at the band

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries in Johannesburg and the United Kingdom.

By order of the board ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED per A. H. J. Millenaar Senior Divisional Secretary

Consolidated Share Rogistrars Limited 40 Commissioner Stroot Johannesburg 2001 (P.O. Box 61051 Marshal)town 2107) Hill Samuel Registrars Limited

Transfer Secretaries:

Registered Office: Johannesburg 2001

London Office: 40 Hoiborn Visduct London EC1P 1AJ

May 14 1985

Financial Times Wednesday May 15 1985 FT UNIT TRUST

INFORMATION SERVICE

nnia Gp. of Unit Tat. Ltd (a) (c) (o) ary House. 31 Finsbury Circus, London

FS Investment Managers Ltd. 100 West George St., Gingow.

Guth Fund 169.2 178.1

Discretionary Unit Fund Managers and St. New Groad St. ECZM 1NU: 01-638 448

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The Financial Times plans to publish the following financial surveys in the first half of 1985: **★ FOREIGN EXCHANGE** 

June 3 FINANCE & INVESTMENT IN THE U.S. June 10

June 11 INVESTMENT TRUSTS

FT ORDINARY SHARE INDEX

CORPORATE FINANCE July 3

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Bracken House 10 Cannon Street, London EC4P 4BY

**Dresdner Finance BV.** Amsterdam DM 500.000.000 Floating Rate Notes 1985/1990

Interest Period from May 15, 1985 to August 14, 1985, inclusively, was delarmined by Barcleys Bank PLC, London, as Reterence Agent to be 574

Dresdner Bank

**Ivory Coast sees** 

bumper cocoa

crop, Page 40

**NEW YORK STOCK EXCHANGE 32-33** AMERICAN STOCK EXCHANGE 33-34 U.S OVER-THE-COUNTER 34, 42 WORLD STOCK MARKETS 34 LONDON STOCK EXCHANGE 34-37 UNIT TRUSTS 38-39 COMMODITIES 40 CURRENCIES 41

## SECTION III - INTERNATIONAL MARKETS

## **FINANCIAL TIMES**

Wednesday May 15 1985

WALL STREET

65.5 65.4

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SSI TOTAL MANAGEM Ltd.

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nsion 4181 ES LTD.

## Nervousness surfaces on sales figures

BOND YIELDS dropped sharply yesterday after the Commerce Department disclosed a much smaller increase in April retail sales than Wall Street expected, writes Terry Byland in New York.

While the monthly retail sales statistics are regarded with some scepticism, the April figures increased the chances that the Fed would be able to stimulate the economy without fear of rekindling

The stock market, however, remained nervous of the implications for corporate profits of a slowing economy. The Dow Jones industrial average

closed 4.20 down at 1,273.30. The announcement that retail sales had gained only 0.9 per cent, against predictions of up to 2 per cent, against pushed bond prices ahead by more than a full point. The yield on the new long bond, the 11.25 per cent of 2015, dropped to 11.10 per cent, a fall of 27 basis points since it was auctioned last Thursday.

Short-term rates also fell in response to further weakness in federal funds. Treasury Bill rates dipped around six basis points, although there seemed

End Month Figures

little sign of any flight to quality despite the worsening situation in the Maryland savings and loan industry.

The stock market opened firmly on the back of some institutional buying orders left over from the previous day. However, support faded later and weakness in technology and airline stocks turned the market lower.

Mainframe computer manufacturers were sluggish behind IBM, \$2% down at \$128 and Hnneywell, \$% off at \$58%. But nervousness ahead of this week's launch of important new models brought a sharp drop of \$2% to \$103% in Digital Equipment, which is still struggling to recover from a difficult trading period. Data General was also weak, down \$1 at \$3814.

General Electric, \$1% down to \$58%, was again overshadowed by the \$1m fine imposed in the Pentagon fraud case. At \$71, General Dynamics gave up a further \$%. Other defence-aerospace stocks were uneven, Lockheed slipping \$1/4 to \$48%. United Technologies eased \$1/2 to \$40 on the \$1hn deal with BASF of West Germany. At \$38%, Texaco gained \$1% after the annual meeting.

Airline stocks turned down as the session progressed. Pan American shed \$\% to \$5%, while among the domestic carriers. United gave up \$% to \$46% on the prospect of a strike by the pilots.

Motor stocks steadled, however, with the help of the latest sale statistics from the main manufacturers. Ford ended \$1 down at \$41, and Chrysler at \$34% closed unchanged. General Motors, however, eased \$1 to \$66%.

The appearance of a buyer for Warner Amex, the televisinn cable operator, left Warner Communications \$14 off at \$27%,

KEY MARKET MONITORS

FT Actuaries All-Share Index

1983

157.5

1.082.4

519.92

· 568.48

612.2

10.64

1965

249.55 9.3 2.565

3.445

1,942.5

1.378

DM FFr

3-month U.S.S 6-month U.S.S 11-S. Fed Funds

FT London k (offered rate)

1987

1992

U.S. Tressury Bonds (CBT)

U.S. Treatury Bills (HMM) S1m points of 100%

CHICAGO .

8% 32nds of 100%

S1m points of 100%

Three-month Eurodo

£50,000 32nds of 100%

\$1m points of 100%

11%

11%

June

June

Corporate T & TA

10% June 1990

3% July 1990

8% May 2000

10% March 1993

10% May 2013

11.80 Feb 2013

12 % Dec 2012

(London) Silver (spot fixing)

Copper (cash)

Coffee (July)

Abbot Lab

Alcoa.

Diamond Sharnrock 10% May 1993

Federated Dept Stores

LONDON

CURRENCIES

251.3 9.37 2.5825

3.479

62.05

1.3755

U.S BONDS

Price Yield

1041 10.741 1041 10.90 1021 10.865 1011 1 11.03 1011 1 11.05 1001 1 11.19

73-23 73-26 72-27 72-27

92.43 92.44 92.30 92.32

91.92 91.81 91.81 91.80

91.55 91.56 91.47 91.48

105-20 105-26 105-05 105-19

10.70

8.45

11.40

12.30

515.80p

£1,221.00

£2,105.50

78% 11.85

Prev

98% 10.70

. 77% 9.45

99% 12,30

506.75p

£1,226.50

\$2,093.00

May 14"

98% 77%

96

99%

COMMODITIES

100152 9.477

FINANCIAL FUTURES

U.S. DOLLAR

1981 . 1982

1,273.30 1,277.50 1,151.07

184.51

1.016.9

1,333.0

700.66

497.1 10.76

12,504.20 12,541.53 10,563.3 978.03 981.36 826.61

573.2

94.70

2,648.0

130.39

432.57 428.11 344.24

1,263.6 1,251.2 1,003.4

1,615.00 1,628.29 908.72

294.47

209.1

171.9

334.48

922.7

1,408.94 1,424.75 1,519.28

433.0

206.1

May 14 \$327.00

\$327.25

\$322.85

\$324.00

184.9

\$322.25

\$321.05

\$317.56

\$317.00

111.49 111.26

801,64 981.26

131.4

2.271.3

. 617.36 499.18 158.85 128.66

STOCK MARKET INDICES

609.72 158.70

1,326.5

637.44

696.06

511.3

94.39

2,016.8

2,660.9

130.86

121.9

207.9

171.9

804.24

207.7

GOLD (per ounce)

2.228:27 2.223.97

DJ Industrials

DJ Transport DJ Utilities

LONDON

FT Ord

FT-SE 100

FT-A 500°

Tokyo SE

AUSTRALIA

All Ord.

AUSTRIA

BELGIUM

CANADA

Credit Aktier

Toronto Metals & Mints

Copenhagen SE

WEST GERMANY

Commerzbank

FAZ-Aktien

HONG KONG

ITALY

Hang Seng

Banca Comm.

METHERLANDS

ANP-CBS Gen

ANP-CBS ind

HORWAY

Oslo SE

DICAPORE

Straits Times

SOUTH AFRICA

JSE Golds JSE Industrials

Madrid SE

SWITZERLAND

Capital Int'i

Swiss Bank Ind

SPAIN

WORLD

London

Zürich

Paris (fixing)

Liptembourg

New York (June)

**Montreal** Portfolio

DENSLADK

FRANCE

CAC Gen Ind. Tendance

TOKYO

FT-A Alt-share

FT Gold mines

FT-A Long gilt

S&P Composite.

May 14

and American Express, the other joint

parent, \$% down at \$45. CBS weakened by \$1% to \$109% after claiming that profits at Ziff-Davis, the recent acquisition, had been overstated. Taft Broadcasting fell \$1% to \$72 on the profits news. But Telerate, the stock market information service group, dipped \$1% to \$21, with the rise in profits

disappointing the market Other features included Inland Steel. \$1 higher at \$22% after closing the Butler Taconite project, which will help future earnings. Signal Companies, a front runner in the bidding for Hughes Air-craft, jumped \$2% to \$39% ahead of the nutcome of the auction.

In a mixed chemicals sector. Du Pont jumped \$1% to \$57%. Pharmaceuticals were mostly firmer in response to a weakening dollar. Merck added 5% to \$103%. Upjnhn, however, dipped \$1 to \$95% after rising sharply in the previous

A dip in federal funds below 6 per cent at mid-session confirmed the move towards lower rates in the money markets. Yield falls increased as maturities lengthened, and 12-month Treasury Bill rates were 12 basis points off. Bond prices held on to their early gains, although trading was not heavy.

#### **AUSTRALIA**

## **Deficit move** inspires rise to record

A BROAD range of industrial and mining issues reached record levels in Syd-ney ahead of the Federal Government's economic measures aimed at cutting the country's deficit,

By the close of trading the All Ordinaries index had risen 5.0 to 898.3, although most issues encountered selling pressure after the indicator passed the 900 barrier shortly before the mid-session break and closed below their peaks.

Strength in the Australian dollar against the U.S. dollar added further confidence, particularly to industrial stocks. Banks were stron, benefiting also from the expectation of solid interimprofit performances. Golds continued their almost uninter-

rupted rise of the past month.

1300

1250

1000

950

STERLING

318.0 11.835 3.265 4.39

2,476.0

78.1 1.755

12"% 5% 5% 10%

1.254 3.8525

315.0 11.74

3.24

4.3525

2,458.0

77.65

121%e 5%e 51%e 10%e

Price Yield

1001/2 9,60

LONDON BRITISH AEROSPACE shares made a successful debut in London during a generally turbulent session. The stock closed with a 44p premium on its 200p issue price after peaking at 253p. A wave of late profit-taking made a

sharp impact on the market's mood during later trading and forced the FT Ordinary share index to shed its 4.7 early gain to close down 4.6 at 1,012.3 after being 8.1 down at mid-afternoon. A statement that the retail chain Bur-

ton would not be bidding for the fellow retailer, Debenhams took the heat out of several other speculative situations. Debenhams turnhled 21p to 307p, while Burton gained 14p to 471p.

Gilts were guided more by equities than sterling, which continued to im-prove against the dollar. Renewed foreign support took values higher initially hut when it faded the gains were gradually eroded.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36-37

#### SINGAPORE

FOR THE fifth consecutive day, share prices in Singapore advanced, although most activity remained concentrated on

cheaper, speculative issues. The Straits Times industrial index firmed 2.8 to 804.24, with advances holding almost a three-to-one advantage over declines

Property stocks were boosted by a reduction in certain property-related taxes with Singapore Land up 6 cents to S\$2.82 and City Development 7 cents higher at S\$1.33. Banks were also generally higher.

#### **HONG KONG**

INVESTORS paused to reassess the market in Hong Kong after the recent advances, leaving sellers in control for most of the session.

The Hang Seng index eased 13.29 to 1,615.00 after being down 8.59 at the end of morning trading, influenced hy falls among leading stocks such as Hang Seng Bank down HK\$1 to HK\$51, Swire 30 cents lower at HK\$24 and Sun Kai Properties off 20 cents at HK\$12.30.

#### **SOUTH AFRICA**

AN ADVANCE across the board advance in Johannesburg was again led by leading gold stocks as buoyancy remained in international bullion markets.

Buffels was the most significant improver, adding R3 to R85.50, while among the cheaper issues Venters rose 50 cents to R19.50.

#### CANADA

THE MOMENTUM of trading remained high in Toronto as a broad range of stocks traded sharply higher.

Among the most active, Falconbridge traded up CS% at CS20%, followed by Molson up C\$\% to C\$16\% and Canadian Pacific which traded C\$¼ higher at

Turnover was heavy in Montreal as key market indicators advanced.

## International influence ignored

THE RISE on Wall Street and the yen's firmness against the U.S. dollar failed to generate investor enthusiasm in Tokyo yesterday, writes Shigeo Nishiwaki of

Jiji Press. The Nikkei-Dow market average shed 37.33 to 12,504.20 nn a volume nf 381m shares, compared with Monday's 316m. Declines outnumbered advances 439 to 319, with 166 issues unchanged. Non-ferrous metals and electric power

issues, spurred by the yen's rise, advanced in the morning, but their popularity proved short-lived, and profit-taking gradually gathered momentum.

Down Mining rose Y22 at one stage, hut selling pressure later trimmed the

increase and the issue closed at Y835, up Y15. Sumitomo Metal Mining added Y20 to Y1,790 and Mitsui Mining and Smelting Y7 to Y558.

Some oils also gained ground, with Toa Nenryo Kogyo finishing Y10 up at Y1,200 and Maruzen Oil Y13 up at Y305. But Showa Shell turned lower, losing Y16 to Y626.

Among utilities, Tokyo Electric Power and Kansai Electric Power rose Y10 to Y1,800 and Y30 to Y1,520, respectively. Tokyo Gas was actively traded, but the issue closed unchanged at Y193.

Nippon Yakin Kogyo topped the active list with 10.24m shares traded and jumped Y13 to Y420. Asabi Chemical, second most active with 9.06m shares, gained an early Y13 but closed Y12 lower at Y916. Among other biotechnologies, Green Cross plunged Y110 to Y2,650 and Dainippon Pharmaceutical Y90 to Y4,440. But Mochida Pharmaceutical rose Y220 to Y10,700, while Kaken Pharmaceutical finished at Y2,760, up Y100, and Kuraray at Y1,050, a net Y20

Some assets-heavy stocks that had been popular Monday declined. Mitsubishi Estate shed Y14 to Y656.

Blue chips were mixed. Hitachi and Toshiba advanced YB to Y791 and Y4 to Y382, respectively but Sony lost Y40 to Y4,100. Minolta Camera slipped below Y800 to Y798, down Y13, because of fears of a slide in profit growth.

Speculator interest continued to push up Nippon Formula Feed, which added Y21 to Y408. Mitsui Sugar finished at Y612, up Y17.

A leading brokerage house sold bonds for position adjustment at a time when investors were beginning to think prices were rising too rapidly. The yield on the barometer 7.3 per cent government bonds due in December 1993 edged up to 6.565 per cent from Monday's 6.560 per

#### EUROPE

### **Post-election** dynamism in Milan

POST-ELECTION dynamism underscored record performances in Italy and Germany yesterday while the failure of bargain-hunters to appear in Sweden resulted in a bruising encore of Monday's

The decline in support for the Italian Communist Party in regional elections spirited Milan to a high for the year, with the Banca Commerciale index rising 10.6 points to a peak 305.07. Volume was particularly heavy, and the session was extended by one hour to cope with the surge in orders.

Among the main gainers were Fiat, which hit a 1985 peak of L3,136 with a rise of L105, while Finsider advanced L8.50 to L92.50 ahead of the EEC steel subsidy agreement. Olivetti's tie-up with Toshiba merited it a L230 rally to L6,510, a new high, while Montedison firmed 1.25 to L1,858 on results and capital and capital moves. Italcementi hit a record L91,450 with a rise of L250 while insurer Generali settled at a new record of L45,950 with its L1,050 surge.

Frankfurt turned its back on Sunday's state election and enjoyed the view afforded from yet another new peak. Foreign demand combined with a steady flow of corporate profit statements to bolster the mid-day calculation of the Commerzbank index by 12.4 points to a further all-time high of 1,283.6. Hopes of lower domestic interest rates continued to buoy sentiment.

A broad mix of issues reached new 12month trading records with the banking sector well represented. Deutsche Bank sparkled with a DM 13 surge to DM 492 on a rise in first-quarter earnings while 'Commerzbank's DM 2.60 rally took it to a high of DM 182.80.

Among the car makers hitting peaks were Daimler, up DM 5 to DM 704, and VW, up DM 1.70 to DM 228.

AEG Telefunken edged 90 pfg higher on a confident forecast for 1985 to a top level of DM 118.60 while Munich Re's DM 17 advance — one of the largest in numerical terms — took the insurer below its 1985 record to DM 1,397.

The chemical sector was again actively pursued by foreign investors pushing Hoechst to a 12-mnnth high of DM 219.9, up DM 3.40, while BASF picked up DM 2.90 to DM 209.

Veba posted a DM 2.10 gain to DM 185.80 and Brown Boveri added 30 pfg to

DM 211.60. IWKA, the industrial robot maker, slumped DM 15 to DM 297 after its deci-

sion to limit voting rights to ward off a possible takeover. Bonds extended the gains made in the

previous session with rises of up to 40 basis points although the average gain was between 5 and 10 points. The Bundesbank reduced its sales of paper to DM 49.6m after a hefty DM 151.2m on

Stockholm fell beavily again after the Government's package of credit curbs and interest rate moves.

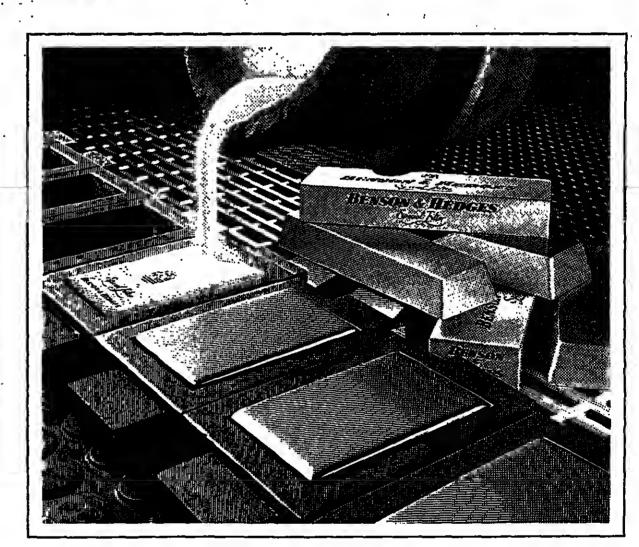
Electrolux topped the active list with a SKr 8 decline to SKr 306 while Asea sur-rendered SKr 5 to SKr 330. Falls of SKr 10 were reserved for Astra at SKr 450 despite good first-quarter profits and Volvo at SKr 242.

Ericsson managed to limit the damage with only a SKr 2 slip to SKr 284 and Pharmacia moved against the trend with a SKr 2 jump to SKr 190, on results

Light trading was evident in Paris with most sectors mixed by the close. Brussels finished steady although Madrid managed a modest advance.

Significant price movements in Zurich were limited as most Issues settled into a consolidation phase.

Internationals were among the weakest shares in Amsterdam, where a hroad decline also weakened banks and insurers. Unilever's Fl 4 drop to Fl 349.50 led the downturn.



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### NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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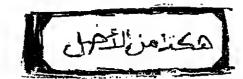
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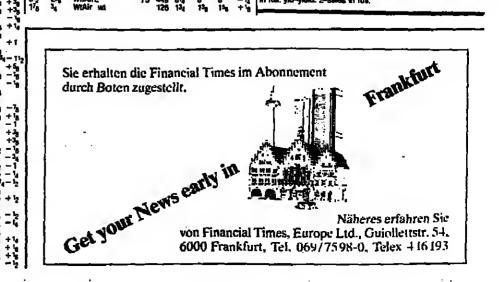
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## WORLD STOCK MARKETS

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#### RECENT ISSUES

#### Account Dealing Dates

## Bright debut of BAe new shares coincides with turbulent market session

Option \*First Declara- Last Account Declings tions Dealings Day.

Apr 29 May 9 May 10 May 20

May 13 May 39 May 31 June 10 curred by its Richard Beckett June 3 June 13 June 14 June 24 underwriting agency could exceed £130m depressed Lloyda backer Minet, which dropped to \*First Declara- Last Account e "New-time" dealings may take place from 9.30 am two business days sariler.

Blue chip issues turned back suddenly in London yesterday after British Aerospace new shares bad made their expected highly successful debut interest in the 2009-paid clock was sizeable, although business overall failed to meet the most optimistic anticipations. Buyars immediately selzed the initiative with demand from disappointed applicants, including several smaller institutions, forcing the price up from an opening 242p to 253p before stag selling brought a close of 244p a first-day premium of 440p; BAe old shares finished 3 easier 2t 418p

ex-rights.

Equity markets greeted the event enthusiastically. The FT Ordinery share index advanced to within three points of its all-time record and the FT-SE 100 share index attained a new peak. In 2 short space of time, however, the mood of the market changed. A wave of profit-taking brought a collapse in recent speculetive favourites and the emphasis was on current take-

speculative favourites and the emphasis was on current takeover target Debenhams.

A terse statement from rivel group Barten, long considered the most interested party, that it would not hid for Debenhams under present circumstances triggered considerable liquidation. Short-term holders rushed to cut their losses and the shake-out assumed more serious to cut their losses and the shake-out assumed more serious proportions as dealers clashed prices in order to avoid taking on stock. Consequently, Debenon stock. Canselpenty, resembans tumbled to 285n prior 10 settling 21 down on balance 6t 3070, while Burton advanced 14 to 471p, after 480p.
Other high-flying stocks

stocks suffered beavy setbacks and it was thought possible that some top-quality industrials were sold to cover the losses incurred in speculative issues. The market speculative issues. The market remained nervous for the rest of the session but after the official 3.30 pm close, composure returned on the back of a firm Wall Street opening. Illustrating the erratic behaviour of equities, the FT Ordinary share index posted an opening gain of 4.7 only to stand a net 8.1 down at 3.00 pm before ending 4.6 at 3.00 pm before ending 4.6 lower on the day at 1,012.3.

EQUITY GROUPS

hroker Minet, which dropped to a new 1985 low of 216p before closing 14 down on balance at 218p. Others in the sector drifted easier in sympathy. Willis Faber relinquisbed 7 at Willis Faber relinquisbed ? at 660p and Hogg Robinson gave np f at 289p. Elsewhere, General Accident touched 617p and finished a couple of pence dearer at 612p, after announcing a first-quarter defect of £18m, at the lower end of the expected range. Commercial Union, due to report quarterly figures today beld the overnight level of 225p. Sun Alliance put on 12

of 226p. Sun Alliance put on 12 to 470p and Royals gained 7 st Reports that Argentins's proposed debt rescheduling package with its foreign creditors was in jeopardy following the surprise liquidation of the country's third largest hank, unsettled the clearers. Buyers withdrew and sporadic bouts of profit-taking left Lloyds 10 down at 595p. Barclays lost the same amount to 385p, after 383p, while Mid-land gave up 7 to 358p, after 355o, as did NatWest to 678p. Monday's announcement that Trafalgar House had acquired 6 14.9 per cent in the company from AMEC continued to excite French Kler which raced ahead to 162p orlor to closing a net 7 up at 156p, a two-day advance of 261. Higgs and Hill, in which Trafalger also holds a atake, closed 4 better af 357p, after 363p. Elaewhere in the Bullding sector, timber group John Carr (Doncaster) continued to stiract buyers pending the outcome of buyers pending the outcome of merger negotiations and sided 3 more to 91p. On the other hand, next of 9 boardroom battle unsettled recently-firm Phoenix Timber which alioped 4 to 136p. The majority of leading issues lost momentum after a firm opening and 685ed back to close virtually unchanged, but Tarmac remained a firm market and closed 10 higher at the day's best of 560p.

#### to close 12 down at 748p. Stead and Simpson up

the day's best of 560p.
Currency influences continued to affect ICI which drifted hock

Apart from the activity in Debenhams and Burton, leading Engineerings followed the downturn with Vickers stores featured a fair trade in Sears, which touched 96ip in initial response to the 20 per cent dividend increase and profits before reacting on profit taking to end a net panny easier the dollar, Renewed foreign support took values higher initially but when if faded the gains were gradually socielaist European demand for Gas 3 per cent 1990-95 was much too heavy for a restricted market and the net from the activity in Debenhams and Burton, leading the downturn with Vickers particularly week at 324p, down initial response to the 20 per speculative positions. Elsewhere, country buying lifted annual profits before reacting on profit taking to end a net penny easier the chespened a couple of pence to taking to end a net penny easier the dollar, Renewed foreign support took values higher initially but when if faded the gains were gradually. Associated a couple of pence to chespened a couple of pence to take of an imminent in downturn with Vickers particularly week at 324p, down 10, following the liquidation of speculative positions. Elsewhere, country buying lifted Birmingham Mint 8 to 220p. Publicity given to a hroker's circular prompted renewed firmes in faded the gains were gradually. Simpson "A" rose 8 more for a two-day jump of 26 to 216p on continuing talk of an imminent in downturn with Vickers particularly week at 324p, down 10, following the liquidation of speculative positions. Elsewhere, country buying lifted Birmingham Mint 8 to 220p. Tubelicity given to a hroker's circular prompted renewed formes in faded the gains were gradually stated the downturn with Vickers particularly week at 324p, down 10, following the liquidation of speculative positions. Elsewhere, country buying lifted Birmingham Mint 8 to 220p. Takever fevourite Rewarder to 141p. Elsewhere, Stead and structure to a two-day jump of 26 to 216p on continued to the more of the downturn with Vickers and high country week at 324p, down 10, f Apart from the activity in Debenhams and Burton, leading Stores featured a fair trade in Sears, which touched 964p in Gilt-edged securities were guided more by equities than sterling, which continued to improve against the dollar. Renewed foreign support took values higher initially but when if faded the gains were gradually seroeded or lost completely. As socialist European demand for Gas 3 per cent 1990-95 was much too heavy for a restricted market and the price jumped 14 points to 70; of similar coupon. Redemption 1986-96 advanced in sympathy to close 24 points up at 764.

Initial response to the 20 per cent dividend increase and hetter-than-expected annual profits before reacting on profit taking to end a net penny easier as 250. Marks and Spencer chespened a coupla of pence to 141p. Elsewhere, Stead and 14 two-day; jump of 26 to 216p on continuing talk of an imminent advanced 8 to 285p after the announcement that the merger with Associated Dairies would not be referred to the Monopoles Commission.

Total continued to improfit before reacting on profit taking to end a net penny easier as 25p. Marks and Spencer chespened a coupla of pence to 141p. Elsewhere, Stead and 14 two-day; jump of 26 to 216p on an announcement that the merger with Associated Dairies would not be referred to the Monopoles Commission.

Leading Electricals failed to

#### FINANCIAL TIMES STOCK INDICES

<u> </u>	May 14	May 13	May 10	May	May 2	May	year ago
Government Secs	80,72	80.61	80,50	80,06	80,08	80,56	78,69
Fixed Interest							
Drdinary	1018,5	1012,8	1001.0	901,1	988.5	983.8	876,0
Oold Mines	511,6	497,1	495,9	491.9	478.5	470,4	612.8
Ord, Div. Yield	4,52	4.50	4,56	4,60	4,21	4.83	4,44
Earnings, Yld.% (full)	11,55	11.68	11,45	11.67	11.59	11,65	10,53
P/E Ratio (netl (*)				10,53			
Total bargeins (Est.)		27,277	97,256	24,926	24,318	26,650	84,279
Equity turnover Em.	_	432.7	214,46	397,48	346,69	381,53	837,26
Equity borgains		25,923	a1,246	22,865	21,863	23,064	15,003
Shares traded (mil	;	986.8	239.7	217.5	180,0	175.5	145.1
	-				-		

10 sm 1021.5. 11 sm 1017.4. Noon 1012.3. 1 pm 1009.8.

2 pm 1009.5. 3 pm 1009.2. 236is 100 Govt. 3ecs. 15/1/26. Fund Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-245 8025. \*Nil = 10.41,

HIGHS AND LOWS

S.E. ACTIVITY

_ 1986		Since Co	mplial'r	May 13	May		
	High	Low	High	Low	Bally   Gilt Edged		:
Govt. Secs.	B2.00		1 197.4	48,18	Equities		1145.1
Fixed Int	88.19	82.17		60,33	Value	888,7	1039,6
Ordinary	1024,6		1024.5	49.4	Gift Edged	144.7	149,7
Gold Mines	566.9	432.6	784.7	43.6	Bargains		789.7

stage further, but loases were usually limited to a few pence. Thorn EMI resisted the trend, however, and closed 8 up at 450p. Elsewhere, Energy Services, which stood at 105p at the 3.30 pm close, fell back sharply to 90p, down 5 on halaoce, foilowing news that Peek Holdings had failed in its bid for the company. Peek ended 6 lowers to 201p. Malrhead were a particularly weak spot, rescting 32 to 162p on the surprise announcement that the board and its adviser had decided to recommend the offer from RHP.

110p premium and moved up to 120p premium and in 120p premium and in 120p premium and in 120p premium and in 120p premium.

Grand Metropolitan fuctuated narrowly and 36itled a coople of pence chesper at 308p awaitling today's interim results.

Among other Hotels, Kennedy Brookes shed 4 10 278p following the rights issue in coovertible loan stock.

Boc improve afresh mend the offer from RHP.

Leading Engineeringa followed

Fd

Thur Year

BOC Group, reflecting favourable commot on the interim figures, advanced afresh to close 9 dearer at 300p. Other leading miscellaneous industrials, however, gave ground. BTR settled 7 cheaper at 737p and Beecham 5 lower at 360p, while Hanson Trust finished the lurn off at 227p. Eisewhere, Diploma continued to reflect the disappointing interim statement with a further fall of 15 to 188p. Peniland, a recent favourite, encountered persistent profil-taking and fell to 895p before rallying to close 33 down on the day at 915p. Barham Group, in contrast, were good again at 580p, up 20, while Rank Organisation put on 7 to 347p. Speculative demand 16ft Ryan International 2i dearer et 19ip and revived bid hopes prompted a gain of 3 to 86p in Merley. Tranwood gained a penny to 11ip on the preliminary figures, while Ango Nordin improved 3 to 280 on gained a penny to 11 pon the preliminary figures, while Ango Nordic improved 3 to 29p on acquisition news. On the other hand, Applied Computer met with sporadic selling and lost 134 Nore marginal issues showed Grootviei 28 bigher at 735p, with Stillfoniein a similar amount dearer at 885p. The FT Gold Mines index rose 14.2 to 185p. Overseas earners to give ground included Christies International, 10 lower at 590p, and Cookson, 8 down at 675p.

A couple of firm features withvalers and Nigel, however, pust five trading sessiona.

Witwalers rand Nigel, however, provided a rare dull counter,

A couple of firm features emerged among Leisure issues. Medminster responded to demand in a limited market and closed 7 to the good at 190p, while revived interest was

helped Imps advance to 197p before closing 4 higher on balaoce at 193p. Bals, however, fell 9 to 308p on curreocy con-aiderations. Stockjobbers Smith

35 to 360p.

thin market.

relurned to promioence among Financials, rision 5 to 120p as buyers began to ahow increased interest ahead of the preliminary results, announced on May 30 last year,

mates but the disappointing not asset value of 401p per share prompted a sharp reaction and the close was 14 lower at 297p. Other leading Issues wore also marked lower, MEPC finishing 8 down at 303p and British Land 3 off at 147p. Hammerson A gave

3 off at 147p. Hammerson A gave up 10 to 445p and Hastemere Estates 6 to 494p. Elsewhere, Markheath Securities fell 12 to 58p following dismal annual figures and a proposed rights issue, but Caparo Properties hardened a couple of pence to 28p on news of a modest increase in preliminary profils. Revived

in preliminary profits. Revived demand in a restricted market inted Palmerston lovestments

In Textiles, Harold Ingram jumped 35 to 135p following revived speculative support in a

#### BP firm

Busioess to the Oil majors expanded and British Potroleum rose 10 to 550p ahead of tomorrow's first quarter figures. Ultramar, three months' results scheduled for today, were 8 butters 270p hus French botter at 230p, but Burmah eo-countered profit-taking and reacted to 288p prior to closing 5 lower on halance at 295p. Else-where, Petrolex gained 5 to 86p where, Petrolex gained 5 to 86p following the surprise agreed counter offer from Aran Energy, 6 down at 37p. Saxon Oil, which had also hid for Petrolex, moved up 15 to 455p. Plet Petroleam gained 12 to 160p on North Sea drilling bopes, but profit-taking elipped 15 from recent favourite Calestonian Offshore at 475p. Caledonian Offsbore, at 475p.

#### Golds gain ground

made widespread progress with dealers reportion a much improved, albeit highly selective, business. Yet another dull showing by the dollar prompted a further advance by builion, which rose \$4.75 to \$327 ao oz. Leading Golds opened firmer in London reflecting overnight bear closing on Wall Street. Continental sources, mainly centred in Switzerland, proved to be selfers for choice, but the offerings here were countered by steady support from Johannesburg where the Rand performed well against the dollar. A midday rally in the U.S. currency was short-lived as was consequent profit-taking and abore prices reverted to the made widespread progress with

sbore prices reverted to the session's best levels. Among top-quality stocks, Randfentein sdvanced 2 to £91, while gains of over a point were

provided 6 rare dull counter, falling 20 to 48p in an extremely thin trade awaiting clarification

mand in a limited market and closed 7 to the good at 190p, while revived interest was apparent for Juliana's, 10 higher at 218p.

Antomotive Products featured Motor components, rising 5 to 68p, after 70p, on the order to supply auspension joints for Mercedes cars. Elsewbere, Lucas Keating's economic Statement. Industries continued firmly at Leading resource stocks ended marginally iower, but Golds were in excess of market esti-

F1,189,68

F1.75,60 FI. 181.20

5 | FI.148.90 5 | S.50 | FI.61.40 5 | S.50 | FI.61.40 6.80 | FI.67.0 108 | 6.80 | FI.68.0 27 | 2.40 | FI.54.60 95 | 9.50 | FI.189.60 13 | FI.348.60

**EUROPEAN OPTIONS EXCHANGE** 

5<del>9</del> 31

74

850 3.50 11 0.10

June

TOTAL YOLUME IN CONTRACTS: 21,025

MEIN C HEIN P NOOG C HOOG P KLM C KLM P NEDL C NEDL P NATN C HATN P PETR C

3.36 3.19

9,80 4 5,60 7,70 10,30 1,620 17,8 3,80

B=5id C=Calt

Voi. | Last | Voi. | Last | Vol. | Last | Stock

Poseidon 2 few peoce dearer at 248p. Sons of Gwalia continued the recent advance, closing 4 up at 118p, while Carr Boyd put on 5 10 90p and ACM 2 to 93p.

Elsewhere, renewed support was evident for Canada's Hemio gold again, naturers. Golden

Commercial Union attracted 668 and 639 calls respectively, 436

Comt Illinois Microcomptr, Mems.
Dana Cara.
Derma-Lock Medical TRW Inc.
Derma-Lock Medical Royal Bit, al Camda
Bank of Nova Scotla Royal Bit, al Camda
BANKS 121
Surhern Bits, LSpg. Rothschild (J.) Surhern Bus, Lsng.
CNEMICALS (1)
Costes Bros. A N.V
STORES (1) Gen Rosen
Gen Ro

Laing Prop. 84pc Markheeth Cn. 2000-05 TEXTILES 12)
Nottingham Mig.
Scarar
Combriso Geni. Cab. Anthority Inv.
Japan Assets 4 Ipc.
Cov. Ln. 1204 OILS (1) OVERSEAS TRADERS (1)

MINES (1)

#### RISES AND FALLS

I ES I EKDI			
	Rises	Palls	Same
British Funds Corpns, Dom. and	51	17	39
Foreign Bonds	20	4	ST
Industrials	269	327	852
Fin. and Props	747	777	290
Dita	. 28	25	72
.Plantations	. 0	1	76
Mines	74	26	BO
Others	77	62	97
Totala	665	573	1 497

### MONDAY'S

**************************************	Stock Summah OH Smitsh Telacom French Kier Pentland Inds STR STR AGROPACE STR AGROPACE Cable & Wire Crend Met GUS A Kitt Samuel 2AT Inds ICI	No. of changes 27 26 22 21 20 12 16 13 74 14 14 15	Mon. close 300 184 1494 498 628 32B 500 310 323 292 317xd 760	Osy's Chenga + 44 + 7 + 19 + 14 + 18 + 11 + 25 + 11 + 17 + 3	June 10 June 21 Sept 12 Sept 23  For rute indications see end of Shore Information Service Call options were taken out in Posenix Timber, Sears, Selin- court, Hampton Trust, Soufti- west Resources, Stead and Simpson A, Sangers, CPU Com- puters, Tricentrol, Caledonian Offshore, F. H. Lloyd, British Teiecom, Jaguar, Energy Capital, Aspinall, Hawtin, Eagle Corporation and Birmid Qual-	Above everage activity tha following stocks yes Stock 80C British Aerospace British Telecom Burmah Oil Burton Gebenhams Energy Services French Kier Pentland Inda Pict Patroleum Vickers † Pertly-paid
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Jly.

EQUITIES

was evident for Canade's Hemlo gold eamp partners; Golden Scepire rose 25 to 435p and Gollath a like amount to 485p. Demand for Traded Options remained relatively huoyant with total contracts struck amounting to 9.484. Once again, British Telecom accounted for 6 substantial slice of turnover with 2.186 calls, 513 in the August 140's, and 119 puts transacted. Imperial Group and Commercial Union attracted 668 and 638 cans respectively, 436 of the lefter heing struck in the July 240's. A lively business was also noted in the FT-SE 100 index contract with 435 calls and

## Rumours that the sale of its Howard Johnson motel and restaurant chain was imminent helped Imps advance to 1985

706 puts done.

NEW HIGHS (127) NEW HIGHS (127)
BRITISM FUNDS (17)
CANADIANS (1)
BUILDINGS (12)
ELECTRICALS (2)
ELECTRICALS (2)
ENGINERRING (5)
FOODS (5)
INDUSTRIALS (4)
MOTORS (6)
NEWSPAPERS (1)
PAPER (2)
FOOTEST (1)
FOOTEST (1)
FOOTEST (2)
MOTORS (6)
NEWSPAPERS (1)
PAPER (2)
FOOTEST (1)
FOOTEST (1)
FOOTEST (2)
OILS (2)
OILS (2)
OILS (3)
MINES (15)

#### NEW LOWS (28)

INSURANCE (1)

I ES I EKDI			
	Rises	Palls	Same
British Funds Corpns, Dom. and	51	17	39
Foreign Bonds	20	4	ST
Industrials	269	327	852
Fin. and Props	747	777	290
Dita	. 28	25	72
.Plantations	. 0	1	76
Mines	74	26	BO
Others	77	62	97
Totala	665	573	1 497

# 100 F.P. - 105 128 F.O. 14-6 50 120 F.P. - 782 128 173 F.O. 15-5 910 113 F.P. 28-5 119 44 F.P. - 90 100 F.O. 16-4 107 110 F.O. 7-6 118 £7.25 F.P. 25-4 86

#### FIXED INTEREST STOCKS

				-		_	
price £	Amount paid up	Henuno.	19t		Stock	Closing priox £	1
20,705	F.P. F.O. F.O.	6/6 6/6 14/6 12/7	30% 100 % 99 % 108 14 pm 36 %	984 993 923 02	Plantalion Trst 712% cnv. Uns. Ln. 2000 Queens Moat 7% Cnv. Rd. Prf	287s 297s 827s 23 107 5pm 34	+ 1

#### RIGHTS OFFERS

SSUB 5	mount seld up	Renunc. date	198	!	Steck	Olosing	+ o
	-		High	Low		0-	
82	F.O.	31,5	11e	96	Aaronson Bros. 10p	112	l
60	F.O.	14/6	86	71	88A	86	1+1
200	NII	206	163pm	133gm	Bank of Scotland £1	163pm	+3
150	F.O.	14.6	385	323	Barcleys £1	884	-14
148	F.P.	7/6	164	123	-Berkeloy Group	123 pm	
92	NII	. —	112pm		Brit, Empire Sec. & Osn. 5p		
246	F.O.	31/5	323	300	Figons	300	-5
102	F.P.	15:5	126	114	Grampian Hidga	114	
80	NII		7om		-Crosvenor Squere 10p	7pm	
66	Nil	6/7	. oom:		Lon. & Northern	7pm	
365	F.O.	16/6	31a	296	LASMO	300 i	+3
513	NII		120pm	110pm	Low (Wm.) 20p	1170m	
205	NII	19/6	70gm		Memae top	70pm	
186	F.O.	14/6	954	125	Morgan Crucible	234	+5
95	NI	7/6	712 pm	2om	Nationwide Leisure	2pm	
96	NII	28/6	90m	5om	Newman Inds. 10p.,	a '4 pm	-14
481c.	F.O.		. 64	48	::Dliver Prospecting	64	+4
70	IIM	417	6pm;	4pm	#Rivin (I, 0.8.) 5p	4pm	
376	F.O.	10/6	497	405	Scapa	427	
11	NII	4/5	115 pm		Second Market Inv. 6p	11pm	
190	F.P.	31/5	810		STC	186	-6
229	Nil	28/5	: 91pm	14nm	Tasco So	21pm	+1
158	F.O.	14/6	162	127	United Biscuits	178	
820	F.P.	83,6	683		Wolstenholme Rink		-2
25	F.P.	17/6	94	17	Worthington (A. J.)		
	F 1 7	10	1 -4 :		LANGE STATE OF THE PARTY OF BRIGHTON		

AS PIPE THE		And Divigion AC	*****************	, , , , , , , , ,
Remarciation date based on prospectitis copital, cover based yield. O Forecast divisand yield based on any yield based on a pence unless other process of the process of the pence unless	namely last day estimates, d D on dividend or hand cover basel prospectus or of or standard, and the condition of fathy-peld. I Figure 555(3), ± Units	for desting free of biddend case pastd fall capital. ga an previous year of the capital fall of the capita	of steep dety, or prysble of Assumed die 're corologa. tos for 1985. I mas for 1985. I mas for 1984. on merger or its Unilsted Official Londo	b Figures or part of Idead and F Dividence Q Gross bottorn of \$5 Rain taknovec Becurisie on Ustbog

#### **OPTIONS**

Last Last For Deal- Declara- Settle-ings tion ment May 7 May 17 Aug 8 Aug 19 ACTIVE STOCKS
May 20 June 7 Aug 29 Sept 9
June 10 June 21 Sept 12 Sept 23 Above everage activity was not the following stocks yesterday.

cast. No puts were reported. hut a double option was done in Birmid Qualcast.

Above everage activity was noted the following stocks yesterday.

3	LON	DO	N T	RAE	ED	OPTIO	NS					
LLS			PUTS		J			ALLS	<u>'</u> _		outs	
Oot.	Jan.	Jly.	Oct	Jan.		Option	May	AUg.	Nov.	May	Aug.	Nov.

			-		<u> </u>	-000	Va.,					-			
8.P. (*550)	460 500 650 500	105 67 50 8	117 88 45 18	97 80 30	4 3 80 55	7 12 27 58	18 33 83	imperial 6p. (*191)	180 180 800 820	33 13 21 <sub>9</sub> 01 <sub>2</sub>	40 83 14 6	87 16 18	1 1 10 99	6 16 31	6 18 34
Cons. Gold (*552)	450 600 250 600	1110 72 33 1014	110 86 48 24	93 58 63	9 93 58	16 37 70	92 44 76	(*200)	883 883 553 583	012 012	53 21 15 5	47 33 82 13	55 55 86	13 55 57 86	12 40 50 86
Courtaulda (*145)	110 120 130 140	37 97 18 18	93	26 20	174 2 4 6	-	=   =   18	Lonrino (*177)	140 160 180 200	38 18 3 01 <sub>2</sub>	42 83 11 5	87 17	1 6 24	8 3 10 87	18
Com. Union	150 150 180	70 30	72	<u> </u>	18	21 3		(*846)	300 350 360 320 420	20	32 13 6	41 88	17 47	8 23 50 77	14 28
1 223)	200 220 240	36 22 11	40 28 15	48 54 82	5 4 12 98	9 17 24	11 18 26	Racal (*188)	180 200 880	10 8 1	3 18 7	62 80 13	77 6 16 36	7 18 3a	10 20 32
C.E.C. (*122)	180 200 220 240	20 10 4 8	34 38 11	40 86	19 50 50	15 30	17	R.T.Z.	240 860 880	01s 01s 01s	3 1 1 64 26	- 65 40	56 76 96 4 36	56 76 96 16 42	2.3 52
Crand Met.	280 500	33 17	40 95	45 30	1.5	.8	1 11	(*212) Vaal Reefs	650 700	9112	241=	82 2612	82	87 212	90
1.C.L. (*751)	230	7a 45	8	1100	12 27 7	17 33	20	(*6101)	100 110	12 414 012	16 8/2	19/2 14/2 8	034 312 1016	312 814 144	83 <sub>4</sub> 131 <sub>4</sub> 173 <sub>4</sub>
	750 800 850 900	20 E	67 34 20 10	70 46 —	88 67 27 169	67 104 147	45 77 —	Ex. 10% 1989 (*£96)	80 28 24 96 98	45e 95e 050 040	318 134 05	3 (2 2 (2 1 re	0 to 10 to 1	016 016 156 37	03a 044 178
(*296)	300 350	10	18 8	36 84 11	11	16	111		, 50	1					
Marks & Sp.		1 26	1 30		36	38	40	Opti		Juna	dept.	Deo.	June	Sept.	Dec.
(*141)	190 130 140 180	16 7 512	21 16 6	25 16 2	4 7 85	6 10 25	7 12 88	8TR (*767)	560 700 750	29 48 22	106 72 48	117 87 60	10 30	10 25 47	10 58 55
8hel( Trans. (*700)	850 850	118 70 33	82 45	56	6 20	18 27	32	Beecham  °350;	550 350 380	17 4	46 22 10	52 33 17	18 3a	18 57	10 22 42
	700 750 600	12 5	10	58	69 102	58 105	63	Bass (*558)	460 500 550	100 50 25	112 77 42	88 54	4 17	5 25	10 58
Traf'gar Heel (*\$61)	295 525 330 353	56 37 10	47	46	1 5 12	- 8 17	9	0a Bears (*\$5,50)	480 460 500 550	95 50 32	180 180 90 55	155 105 70	18 92 40	8 30 32 55	53 45 70
	360 325	6	15	60	83	35	25	GKN (*855)	100 200 220 840	51 41 24 13	56 45 30 18	- 55 24	8 5 10	2 3 6 14	- 8 18
Option		May	Aug.	Nov.	May	Aug.	Nov.	Hanson (*227)	187 200 920	45 51 90	48 41 86	44 59	11g 3	3 6 11	7
BAT Inds. (*310)	300 330 360 390	30 18 4 1	45 35 15 10 5	46 28 15 12	11 <sub>2</sub> 5 25 55 85	5 12 52 60 67	15 55 68 20	Jaguar (*278)	280 500 660 360	15 11 6	28 13 8 6	21 44 34 12	10 27 54 64	12 33 56 85	28 35 57
Barcle ys (*387)	285 335 585 455	105 55 10	110 63 87 10	72 57 15	1 8 58	2 5 29 57	8 27 50	Tesco (*246;	212 236 256	55 18 8	40 25 14	48 33 82	2 5 20	4 10 22	8 14 27
St. Telecom (*183)	80 100 110 120 130	7412 6312 5612 4312	761 <sub>2</sub> 661 <sub>2</sub> 561 <sub>2</sub> 461 <sub>2</sub>	58 421 <sub>2</sub>	04 04 04	01s 1 1 1 11g	1 1 2	(* 1326) 	1175 1200 1250 1300 1550	155 150 95 47 18	147 108 70 37	- 190 85 55	4 6 9 24 47	12 85 45 70	45 58 90
	140 160	3312 2512 512	3712 2812 1418	561g 84	010 1 412	3 .	41 <sub>2</sub>	May 14, Tot	al cont	racts derlyin	8,484 19 14CI	Calls '	7,441. rice.	Puts 8	,043,

#### FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Tues May 14 1985

& SUB-SEC			Tues May 14 1985					13 10		9	(1604.thr)
Figures in parentheses show number of stocks per section		fraiex No.	Oay'1 Change	Est. Empires Yield % (Max.)	Gross Div. Vield% (ACT at 30%)	Est. PrE Ratio Ulet)	nd add. 1985 to date	Index No.	todex No.	Index No.	Index No.
L CAPITAL COODS (2	987	554.21	L -0.7	16.13	4.04	12.34	7.11	558.34	552.42	555.00	511.3
2 Building Materials (2		521.26		12.66	4.95	9,72	6.84	515.45	507.04	596.75	502.3
Contracting, Constru	ction (29)	738.64		13.59	5.58	9.51	16.40	733.29	734.12	732.60	T22.A
Electricals (15)		_ 1507.50		19.37	4.83	1576		1522.29			1457.7
Electronics (37)		1646.37		9.02	3.07	14.25	13.77	1667.23			1728
6 Mechanical Engineer	ing (63)	_ S11.8		18.19	4.43	11.95	4.78	316.14		331.05	252.3
B   Metals and Metal For	ming (7)	_ 194.59		12.76	7,62	4.81	3.71	194.85	195.24	195.78	193.0
Motors (17)		_ 165.33		13.36	5.10	9.25	3.09	165.00	163.72	163,47	6917
O Other ladustrial Mate		980.8		7,22	3.21	16.64	11.22	747.39	974.48 652.37		524.3
CONSUMER GROU		457.37		7.66	3.80	12.74	6.86	661.03	587.77	646.83 581.93	
2   Brewers and Distiller		_ 596.63		11.33	451	10.94	3.72	510.91		504.43	394.0
5 Food Manufacturing		508.07		11.46	2.45	18.90 22.68	5.76	1682.95		1534.63	1115
6 Food Retailing (13).		_ 1515.43		5.87	2.73	18.47	5.75		1825.49	1000.51	805.1
7 Health and Househol	d Lucances (3)-	<i>1033.50</i> 706.09		8.36	444	15.58	12.57	707.13	697.77	692.64	640.
9 Leisure (23)		1772.4		6.76	4.25	19.11	32.34			1777.99	1356
Newspapers, Publish Packaging and Paper	HT (LE)	320.3		11.99	4.59	9.59	238	322.55		319.24	264.7
3 Packaging and Paper	47	634.49		7.52	3.19	17.96	5.00	636,80	622.65	617.38	47L
4 Stores (41)		320.12		14.67	4.75	6.94	3.78	321.47	320.39	314.27	294
6 Tobaccos (3)		832.0		17.92	5.15	6.26	17.44	845.43	841.29	834.82	628.
2 OTHER GROUPS (9	<b>6</b> )			8.46	3.85	14.91	5.68	719.48	706.93	702.60	458.
2 Chemicals (17)	· · · · · · · · · · · · · · · · · · ·	753.47		13.79	4.92	2.96	14.95	758.35	759.05	750.64	614
4 Office Equipment (4)		184.05		7.18	4.57	17.26	3,52	1117.53			130.
5 Shipping and Transp	ort (12)	1155.8	2 -0.3	6.52	4.80	19.70	22.85		1146.99		982
6 Miscellaneous (63)		872.14	-6.2	7.81	3.37	27.53	630	874.27	865.07	862.18	534.
B Telephone Networks	(2)	919.90	B -0.7_	7.27	3,50	17.94	<b>0.70</b>	726.80			
9 INDUSTRIAL GROU		653.9	9 -0.6	9.44	3.67	13.16	6.77			645.95	515.
L 085 (17)		1179.3		15.67	7.06	7.84	37.60	1146.76	1158,18	1166.28	2246
		222.2		18.28	4,30	12.06	9.23	700.66	692.46	689.62	568
9 500 SHARE INDEX		475.5	_	1	5.25		831	478.53	470.44	466.55	378.
FINANCIAL GROUP	(114)	476.8		16.26	7.25	2.78	11.71	483.39			383.
2 Banks (6)		724.7	-, -	-	4.38	_	14.71	723.02		712.95	472
5 Insurance ILife! (8).				-	5.44	-	8.53	355.45		346.85	275.
6 Insurance (Composit 7 Insurance (Brokers)	21 (17 27)			7.72	3.42	17,26	17.24	1128.26	1005.20	1072.99	
7 Insurance (Brokers) 6 Merchant Banks (LL	44.7 <del></del>	232.4		) =	411	_	1.22	231.77	224.99	224.52	
Property (50)	, <del></del>	639.7		5.56	3.41	23.83	3.28	653.36		642.57	561
Property (50) 0 Other Financial(25).		257.9		8.41	5.65	14.54	4.78	286.79	283.A7	281.75	
1 Investment Trusts (1	OC.\	600.8		<del> </del>	3.37	_	5.96	599.21	595.82		500
1 Mining Finance (4)				10.75	5.32	18.85	5.29	297.90	299,14	298.51	277
T MANAGE PROMES 14/-	<del></del>			9.43	6.36	12.99	12.19	67L73	473.82	669.94	555.
1. Oversees Traders (14	Contra	637.4		+	4.43		8,80	639.84	632.33	629.22	519.
9 ALL-SHARE HIDE	(/36)	13/.7		<del></del>					_		-
· · · ·		Index				May	May	May	May	May	Yea
		No.	Change	e High	LOW	13	10	,	6	7	290
FT-SE 100 SHARE		1									110
	MDEX	1326	5 -65	1335.7	1322.7	1333.6	2315.8	1306.3	1307.9	1305.5	_
A LAST TER SUPPLE	NDEX		5 -6.5	1335.7		1333.6	1315.8	1306.3			
		1326.	5 -65	1335.7	1322.7	AGE CR	955		Ties	Mon	
		1326.	5 -6.5	1335.7	1322.7	AGE CR			Ties	Mon	age
	D INTE	1326.	5 -6.5	1335.7	1322.7	AGE CR	955				age
		1326.	5 -6.5	1335.7	AVER REDE	AGE GR	OSS YIELD		Ties	Mon	age
FIXE	D INTE	REST		1335.7	1322.7 AVER REDE	AGE CR	955 YIELD		Tues May 14	Mon May 13	(appro
FIXE	D INTE	REST	ad adj.	1335.7	AVER REDE	ACE CR MPTION th Cover	ess YIELD Product 5 years		Tues Hay 14	Mon May 13	Tight.
FIXE	D INTE	REST	ad adj.	1335.7	AVER REDE Britis 1 Low 2 Coupo	AGE GR MPTION th Seven	SS YIELDS	Mariana	Tues Hay 14 10.69 10.79	Mon May 13 10.70 19.81	10.1 10.1
FIXE PRICE IMPICES	D INTE	REST	ad adj.	1335.7 rd adi. 1965	AVER REDE Britis 1 Low 2 Coupo	AGE GR MPTION sh Seven	ess YIELD mment 5 years 5 years 5 years	MARINE POR	Tues Hay 14 10.69 10.79 10.34	Mon May 13 10.70 19.81 10.38	19.1 10.1
FIXE PRICE IMPIGES	Ties Day's change 14	REST Mon May 13	ad adj.	1335.7 ad adi. 1965 a date	AVER REDE Briti 1 Low 2 Coupo 3 4 Mediu	ACE GR MPTION th Seven	SS YELDS		Tats Hay 14 19.69 18.79 18.34 11.62	Mon May 13 10.70 19.81	19.1 10.1 19.1
PRICE MUICES	Ties Day's change 14	REST Mon May 13	ad adj.	1335.7 rd adi. 1965	AVER REDE Britis 1 Low 2 Coupo 3 Mediu 5 Coupo	ARE CR MPTION sh Sover rs 1 2 m	PRINCE TO SERVICE TO S		Tats May 14 19,69 18,79 18,34 11,62 21,12	Mon Many 13 10.70 19.81 18.36 11.61 23.12	18.1 16.1 19.1
PRICE INDICES  British Coversment  1 Syears	Tipes Day's change 14 %	Mon May 13 116.66	ad adj.	1335.7 ad ad. 1965 a date	AVER REDE Britis 1 Low 2 Coupo 3 Mediu 5 Coupo 6	ARE CR MPTION th Seven rs 1 2 m	PRINCE STREET ST		Tats May 14 10,69 10,79 10,34 11,62 21,12 10,61	Mon Many 13 10.70 19.81 18.36 11.61 13.12 10.62	18.1 10.1 11.1 11.1 11.1
PRICE INDICES    British Coversment   1   5 years   1	Thes Day's change 14 %	Mon Many 13 116.66 127.68	ad adj.	1335.7 of ad. 1985 of date	AVER REDE Britis 1 Low 2 Coupo 3 4 Mediu 5 Coupo 6 7 High	ARE GRANTION sh Seven ns. 1 2 m. 2	Prields  Whent  Syears		Ties May 14 10,69 18,79 18,34 11,62 21,12 18,61 11,71	Mon May 13 10.70 19.81 19.38 11.61 11.12 10.62 11.78	16.10.10.11.11.11.11.11.11.11.11.11.11.11.
PRICE INDICES  British Coverament 1 System 11 2 5-15 years 11	Tues Day's change 14 %	Mon Many 13 116.66 127.68	ad adj.	1335.7 ad ad. 1965 a date	AVER REDE  Britis 1 Low 2 Coupo 3 Medius 5 Coupo 6 7 High 6 Coupo	AGE CRIMPTION sh Cover	MISS VIELDS Freezes Syears Syears Syears Syears Syears Syears Syears Syears		Tues May 14 10.69 18.79 18.54 11.62 11.72 18.51 11.71 11.26	Mon May 13 10.70 19.81 19.36 11.41 11.12 10.42 11.79 11.27	18.1 10.1 11.1 11.1 11.1 11.1
PRICE INDICES  Define Coverment  5 years 12 5-15 years 13 Giver 25 years 17	Tues Day's change 14 % 16.72 +0.06 17.74 +0.04 14.51 +0.03	Mon May 13	nd adj. I	1335.7 od adj. 1965 o date 4.52 5.07 2.47	AVER REDE Britis 1 Low 2 Cospo 3 Mediu 5 Cospo 6 High 6 Cospo	ARE CR MPTION Sh Govern Sh Govern Sh 2 mm 1 2	Prields  Whent  Syears		Tes May 14 10.69 10.79 10.34 11.62 11.12 10.61 10.17 10.25 10.15	Mon May 13 16.70 19.81 16.36 11.61 11.12 16.62 11.76 11.27 18.76	18.1 10.1 11.1 11.1 11.1 11.1
PRICE INDICES  British Covernment  1 Syears	Tipes Day's change 14 % 16.72 +0.96 17.74 +0.94 14.51 +0.93 14.02 +0.38	Mion May 13 114.66 127.68 134.48 143.47	ad adj.	1335.7 of adi. 1365 or date 4.52 5.67 3.47 6.67	AVER REDE  Britis 1 Low 2 Coupo 3 Medius 5 Coupo 6 7 High 6 Coupo	ARE CR MPTION Sh Govern Sh Govern Sh 2 mm 1 2	MISS VIELDS Freezes Syears Syears Syears Syears Syears Syears Syears Syears		Tes Hay 14 10.69 10.79 10.34 11.62 11.17 11.25 10.75 10.15	Mon Many 13 16.70 18.81 18.36 11.61 12.12 18.42 11.79 11.27 18.76 18.18	18.1 16.1 18.1 11.1 11.1 11.1 16.1
PRICE INDICES  British Coverances  5 years 12 5-15 years 13 Over 15 years 14 Irredecenables 1	Tipes Day's change 14 % 16.72 +0.06 17.74 +0.04 14.51 +0.03 14.82 +0.38	Mion May 13 114.66 127.68 134.48 143.47	nd adj. I	1335.7 ad adj. 1965 to date 4.52 5.07 3.47 6.87	AVER REDE Britis 1 Low 2 Cospo 3 Mediu 5 Cospo 6 High 6 Cospo	ARE CR MPTION sh Cover ms 1 2 ms 1 2 cr 2 2 crsables	MISS VIELDS Freezes Syears Syears Syears Syears Syears Syears Syears Syears		Tes May 14 10.69 10.79 10.34 11.62 11.12 10.61 10.17 10.25 10.15	Mon Many 13 10.70 10.81 10.36 11.61 11.12 10.62 11.27 12.76 18.18 12.18	18.1 18.1 11.1 11.1 11.1 18.1 11.1 18.1 11.1
PRICE INDICES  British Coveragent  Syenes 1  S-15 years 1  Weer 15 years 1  Invedeenables 1	Tipes Day's change 14 % 16.72 +0.06 27.74 +0.04 34.52 +0.03 44.02 +0.38 4-0.05	Micro Micro 13 13 14.66 127.68 134.48 143.47 126.59	nd adi. s today	1335.7 of adj. 1985 o date 4.52 5.07 5.07 6.87 4.70	AVER REDE  Britis  1 Low 2 Compo 3 Medius 5 Coups 6 7 High 6 Coups 10 Irrede 11 Bebs	ACE CR MPTION th Seven ns 1 2 m 2 ensables	PRELEMENT S years 5		Tes Hay 14 10.69 10.79 10.34 11.62 11.17 11.25 10.75 10.15	Mon Many 13 16.70 18.81 18.36 11.61 12.12 18.42 11.79 11.27 18.76 18.18	18.1 18.1 19.1 11.1 10.1 11.1 10.1 11.1
PRICE IMBIGES  Britis Government  5 years 12 5-15 years 12 4 irredeenables 14 5 All stocks 22	Tipes Day's change 14 % 16.72 +0.06 27.74 +0.04 34.52 +0.03 44.02 +0.38 4-0.05	Micro Micro 13 13 14.66 127.68 134.48 143.47 126.59	and andig. If	1335.7 of self. 1985 o date 4.52 5.07 3.47 6.87 4.70	AVER BEDE  Britis 1 Low 2 Cospo 3 Mediu 5 Cospo 6 High 6 Cospo 9 In Irrede 12 Lees	ACE CR MPTION th Seven ns 1 2 m 2 ensables	MINIONAL PROPERTY OF THE PROPE		1145 1147 1147 1147 1147 1147 1147 1147	Mon Many 13 10.70 10.81 10.36 11.61 11.12 10.62 11.27 12.76 18.18 12.18	Yes age (apr. 10.1 10.1 11.1 10.1 11.1 10.1 11.1 11
PRICE IMPICES  Britis Government  1 Syears 12 5-15 years 17 directeenables 17 hiredeenables 17 6 Debeners & Laus 11	Tipes Day's change 14 % 16.72 +0.06 27.74 +0.04 34.52 +0.03 44.02 +0.38 4-0.05	Mon May 13	nd adi. s today	1335.7 of ad. 1965 n date 4.52 5.07 3.47 6.67 4.70	AVER REDE  Britis  1 Low 2 Compo 3 Medius 5 Coups 6 7 High 6 Coups 10 Irrede 11 Bebs	ARE CR MPTION Sh Govern 12 mm 1 2 mm 1 2 mm 1 2 mm 2 2 mm 2 2 mm 1 2 2 2 2 2 2 4 2 4 4 4 4 4 4 4 4 4 4 4	MINION TO PERSONS SERVICES SER		10.69 18.79 18.34 11.62 11.12 18.61 11.75 18.15	Mon May 13 10.70 19.81 18.36 11.42 11.79 11.27 18.18 12.18 12.18 12.18	18.1 18.1 19.1 19.1 19.1 19.1 19.1 19.1

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BRITISH GOVERNMENT INDEX-LINKED STOCKS

ARE SERVICE

| The state of the Financial Times Wednesday May 15 1985 ENGINEERING Continued AMERICANS-Cont. Price + or Die Y'ld 60d — 2.3 151.41 — 2.1 51.20 — 5.3 56.00 — 6.8 51.44 — 5.5 274 164 Amer Med Res. 51 ... 1594 32 Amer. Nat. Res. 51 ... 1694 American 7, 6 7, 53 ... 1595 American 7, 6 7, 53 ... 1595 American 1, 1595 American 1, 1595 American 1, 1596 American 1, 159 SHEERS, WINES CONT. DRAPERY
SHEEK Price - Net Cry Cry Pric High Law Stack 1985 High Low EQUITIES & BONDS 245 | 200 | Young Bree 'A' 509 | 268 | .... | 165 | 130 | 0o. Hon. V. 50p | 134 | .... | 15.5 20 33 18.6 13.5 20 33 123 Durrant House, 8-13, Chiswell Street, BUILDING, TIMBER, ROADS London EC1Y 4TQ Telephone: 01 588 4872 Talex: 883336 ICHILD BRITISH FUNDS Price + or Yield £ - Int. | Red. to Five-Years)

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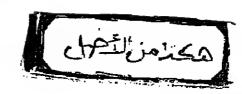
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177 | 974 | 0.7 pgc 93-85 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 421<sub>0</sub>mi-1<sub>0</sub> S1.20 - 281<sub>0</sub>+1<sub>2</sub> S1.20 - 281<sub>0</sub>+1<sub>2</sub> S1.20 - 171<sub>0</sub>-1<sub>0</sub> S1.20 - 171<sub>0</sub>-1<sub>0</sub> S1.20 - 131<sub>0</sub> - 131<sub>0</sub> S1.20 - 200 - 411<sub>0</sub>-1<sub>0</sub> S1.20 - 361<sub>0</sub> S1.20 - 31.20 - 12.20 -- 22 - 33 - 36 - 40 - 12 - 14 - 36 - 28



iday May 15 kg Financial Times Wednesday May 15 1985 OIL AND GAS LEISURE-Continued PROPERTY—Continued | 1915 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | 1916 | INOUSTRIALS---Continued Misch State | See | Such | Prof. | Net C'er 6/5 PM 074% 23 (4) ... 115 0 32 54 64 | 281-jahaCM 50c | 281-18 18 26 131 366 70 15 33 | 24 64 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 A CONTROL OF THE PROPERTY OF T Tins 265 -5 | 00040 | 1.0 | 1.57 | 12.0 | 2.2 | 8.0 | 1.20 | 2.2 | 8.0 | 1.20 | 2.5 | 8.0 | 1.70 | 1.20 | 2.5 | 8.0 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1 | Miscellan | Misc Miscella 175 - 6 5201 +15 250 -10 265 +5 45 - 10 618m -4 £1323m -15 £1333m -16 TRUSTS, FIMANCE, LANO

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1 Eastern

186 | 134 | Bracker 90c...

200 | 409 | 90cm Mod ten 5c...

300 | 168 | East Doga RJ ...

127 | 1224 | Easter 7 m. Cr. 50c...

489 | 378 | ERGO RO, 50 ...

529 | 588 | Grantvie 25c...

1184 | 1124 | Kinevie 25c...

1173 | 115 | Marrende RD, 25...

1279 | 209 | S. African Ld, 35c...

144 | 120 | Vinkforten 35c...

1314 | E21 | Winkelback RJ ...

107 | 48 | Win. Angel 25c... | REGIONAL & IRISH STOCKS | The following is a selection of Regional and Irish stocks, the latter bein quinted in Irish Currency | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 1 150 .... 100 .... 50 .... 51 .... 55 .... 15 +1 61 .... 63 .... OPTIONS - 3-month call rates 12 18 25 28 28 22 22 | O.F.S. | 363 | 55 | 506 | 507 | 507 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 508 | 50 0.11 9.7 1.0 1.1.2 1.95 1.3.8 1.2.3 -- 9.4 1.0.4 Central African

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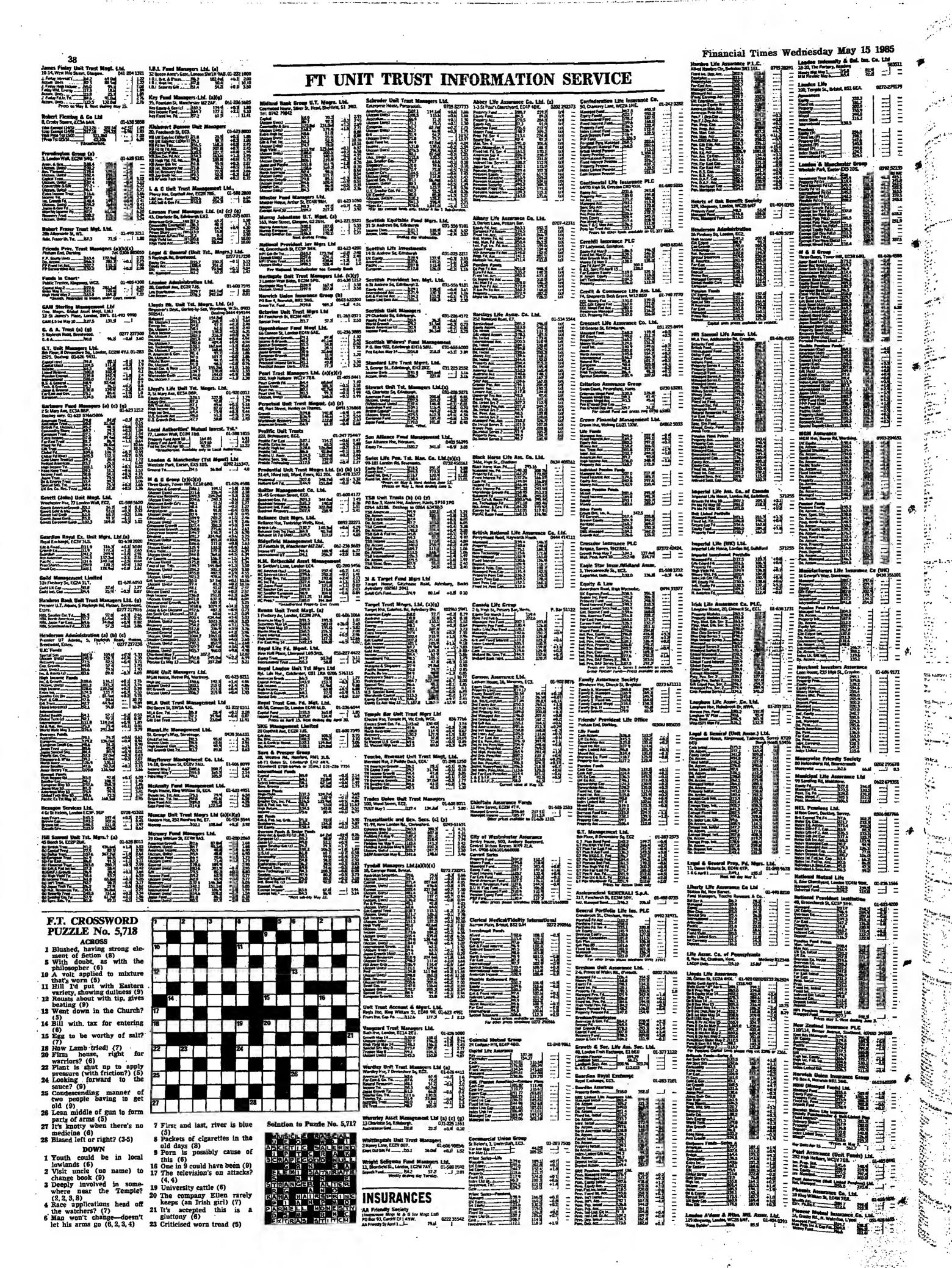
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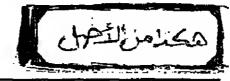
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### World sugar production estimates are raised

WEST GERMAN sugar statistical agency F. O. Licht has raised its world sugar production forecast for 1984/85 (Sept/ Aug) to 100.85m tonnes against 97.95m estimated in late January. It puts 1983/84 output

In its third estimate of 1984/ 85 prodoction, Licht put ontput in the Soviet Union et 8.8m tonnes compared with 8.2m in its second estimate and 8.76m in 1983/84.

Cuban production is estimated at \$2m tonnes against \$m and 8.33m. The EEC forecast is also raised at 13.28m against 13.24m and 11.7m in 1983/84.

The Indian Food Ministry has signed contracts to import 700,000 tonnes of sugar for delivery by July and may import more.

The State Trading Corporation of India (STC) has signed the contracts since March to overcome o domestic shortage. the Ministry told Reuters, and added that the government will not besitate to import further ougar above contracted 700,000 tonnes to ensure its adequate availability for internal coo-

sumption.

India imported 500,000 tonnes of sugar in 1984, its first imports in three years, to overcome a slump in production to 5.89m tonnes in 1983-84 from 8.23m in 1982-83 due to drought. · World copro production in the 1984-85 (October-September) season is likely to reach 4m tonnes, up from 3.67m last season, but will still be well below the 10 year average of 4.6m tonnes, the Hamburg-based newsletter Oil World said. Coconut oil output is esti-mated at 2.25m tonnes sgainst

2.23m in 1983-84. The Philippines appear to have overcome the effects of the severe 1982-83 drought and copra production could reoch 1.8m tonnes from 1983-84's 1.6m. Average Philippine output, however, is between 2.4m and 2.6m tonnes, Oil World said.

 World rice production in 1984 rose to an estimated 470m tonnes, an increase of 20m tounes over 1983, according to the UN Food and Agriculture

# Sterling's rise pushes base metals lower

STERLING'S continued strength sterling's continued strength against the dollar pushed Lon-don Metal Exchange (LME) hase metals prices lower again yesterday. The biggest fall was in the oluminium market which lost £13 in the cash position to £876.50 o tonne. This was entirely due to the currency factor—in dollar terms the price was up about \$5.

The copper market fall was cushioned by covering against earlier short sales. The three mooths bigh grade quotation moved about £12 lower in the moved about £12 lower in the morning, but by the close had recovered to £1,207.75 a tonne, down only £2.75 on the doy. A £5.5 fall in the cash price to £1.221 a tonne was well below the level required to reflect fully the rise in the value of the pound.

Tin's decline was also less than might have been expected, than might have been expected, thanks mainly to support buying on behalf of the Internotional Tin Agreement (ITA) buffer stock. This kept the decline in the cash standard tin price to £48 at £9,415 a tonne. In Kualo Lumpur the Straits in the straits are the straits of the strain than the straits of the strain than the straits of the strain than the strains of the strain price regained another 4 Malay-sain cents of its recent fall, but at M\$28.81 it remained below the ITA "floor" price, which was breoched at the end of last month when the buffer stock temporarily halted

manager temporarily halted support huying.

Zinc was the only base metal to defy the general downward pressure. Trade and speculative buying helped the cash position to regain £1.50 of URANIUM: Nuexco exchange Monday'o £17 fall at £665 a value, \$ per tome unit WO3, cif, 68-72.

VANADIUM: European Free market, min. 98 per cent V205, other sources, \$ per lh V205, cif, 2.32-2.36.

### Philippines bans seed imports

The Philippines Ministry of Agricuture and Food yesterday imposed a han on imports of vegetable seed for commercial whether the han would conflict whether the han would conflict. vegetable seed for commercial cultivation in order to save foreign exchanges. The prohibition covers radish, lettuce, mustard, eggplant, tomatoes, In line with the commitments, pepper, lettuce, cucumber and other seeds, Excluded from the lifted price control on farm ban sre seeds used in breeding products except rice.

In New York a metal workers'

union official said labour con-tract negotiations between St Jos Resources, a subsidiary of Fluor Corporotion, and workers at its Herculaneum, Missouri, lead smelter, are scheduled to

resume on Friday.

Weekly metal prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, \$per tonne, in warehouse, 2.650 2,750. BISMUTH: European

market, min. 99.99 per cent, \$ per lb, tonne lots in warebouse, 5.20-5.50.
CADMIUM: European free market, min. 99.95 per cent, \$ per lb, in warehouse, ingots, 0.80-0.85, sticks, 0.84-0.90. COBALT: European free market, 99.5 per cent, \$ per lh, in warehouse, 11.40-11.50. MERCURY: European free market, min. 99.99 per cent, \$

per flask, in warehouse, 285-MOLYBDENUM: European free market, drummed molyhdic oxide, \$ per lb Mo in warehouse 3.73-4.00.

SELENIUM: European free market min. 99.5 per cent \$ per lb in warehouse 6.60-7.20. TUNGSTEN ORE: European free market standard min: 65 per cent \$ per tonne unit WO3.

with government commitments to the World Bank and the International Monetary Fund to allow a freer flow of trade.

### China tea soars after cold spring

as much as 40 per cent this year because of a sharp decline in production following an abnormally cold and rainy spring, the government in

Peking said yesterday.

The official news agency,
Xinhua, said teo bushes in
Zhejiang and Anhui provinces, the main tea-producing regions, sprouted late because of the and picking was weather delayed. Last month tee purchases by

state-run commercial depart-ments dropped 60 per cent compared with the same period in 1984, the agency said, and the decline may affect exports.

Big Increoses have been reported in prices of high-grade teas, it said. No apecific prices were disclosed, but some quality teas bave quadrupled in

China is the third-largest tea producer next to India and Sri Lanka and exported 139,300 tons of tea in 1984, accounting for 12 per cent of the world total.

### Pakistan seeks supplies of soyabean oil Pakistan is expected to invite

tenders for the supply of about 67,000 tonnes of soyabean oil this week, occording to officials in Islamabad. The oil is expected to cost nearly \$50m at the oresent price level, and will be financed under the U.S. PL-480 aid pro-

Islamabad bought 47,000 tonnes of edible oil between January and mid-March this year, for the state-owned Ghee Corporation of Pakistan. The first purchase of 20,000 tonnes in January, was priced at \$679.39 2 tonne. A similar quanity was bought in February at \$699.45 a tonne, and 17,000 were purchased in

Alongside the state sector plants the private sector is also engaged in manufacturing cooking oil. Malaysian palm oil has recently been bought hy private concerns from Singapore-based companies, against each payment or loons from the Jeddah-Islamic Development

Sarita Kendall reports on the problems facing Colombia

# Growing anxieties in coffee

COLOMBIA'S high level of coffee production has been a beavy burden in recent years. The cost of buying up the harvest and warehousing stocks equivalent to a year's crop is o steady drain on the National Coffee Fund's depleted resources. But it looks as though the combination of new mea-sures and coffee rust disease is beginning to have an effect on output. Some growers fear that the trend could even endanger export levels in the future, though economic policy makers welcome it.

When, at the end of the 1970s, Colombia'e annual production first jumped to more than 12.5m bags (60 kilos each), exports were booming and there was were booming and there was little left over to store away. Since then foreign sales bove dropped to 10m bags or less, while the local market only absorbs about 1.7m bags. At the beginning of 1985 stocks stood at 12.2m bags—hence Colom-bia's special concern about irregularities in the world market and sales to countries outoide the International Coffee Agreement (ICA) at knock-down prices when ICA export quotas are not being filled on

Stocks would have been even bigher but for heavy rains and

is using a variety of policy tools to try to keep production at a lower level.

One important change Is attention being given to the renewal of coffee plantations, with credit avoilable at subsi-dised interest rates. This brings down the number of trees in production while maintaining the country'o potential. Seno Gilberto Arango Londono, President of the Coffee Exporters Association, asys Colombia's rate of renewal was very low compared with other countries, ond the decision to speed np the process is already showing

results.

The coffee federation is also investing in o large-scale diversification programme designed to persuode farmers to switch from coffee to other crops. Until recently diversification meant finding ways to sup-plement growers' incomes in marginal coffee areas, but now the aim is to replace more than 30,000 hectares of coffee with fruit trees, sugar cane, cocoa and pasture. In addition, 50,000 hectares of land in coffee grow-

The World Bank is contributbigher but for heavy rains and ing a \$50m loan and, in all, clondy skies which damaged the more than \$300m is heing allomain end-of-year harvest in the heart of Colombia's coffee grow-ling country, and hrought 1984 output be reduced, but new pro-whether quality and produc-

Fedecafe, estimates the 1985 export. In a recent survey, crop at about 12.5m bags, and Fedecafe found that about a third of the country's coffee farmers were keen to try other crops.

Such interest in diversification reflects the fact that coffee is no longer the trouble-free, high income crop of the bonanza years of the 1970s. "Technifica-tion" has made it much harder for the peasant grower to keep up, and yields of traditional varieties, sown among tall shady trees, may be less than a third of the yield in a modern Caturra plantation. Producers say that domestic coffee prices lag hehind increasing costs, and their debts are mourong.

The appearance of coffee rust in 1983 raised production costs further, though the fungus has so far spread to less than five per cent of the 1m bectares planted with coffee. Colombia was prepared for its inevitable arrival and the National Coffee Fund contributes generously to spraying, but for the longer term Fedecafa's pinning its hopes on a new rust resistant hybrid. This "Colombia" variety is similar to the Caturra tree that now accounts for more than 60 per cent of the country's

production down to 11.5m bags. ducts such as canned tropical tivity, as well as resistance, can The coffee growers' federation, fruits will be developed for be maintained. The revestment needed for a complete changeover would be enormous, and at the present rate of 10,000 hectares a year, would take a long time.

Coffee still provides more than 57 per cent of Colombia's exports of International Coffee to boost other products. In 1984 exports to International Cofffe Organisation (ICO) mambers were np to 9.4m bags, and sales to non-ICO countries increased to 0.8m bags, with total earnings of \$1.45m. West Germany and the United States are by far the most important ICO buyers, while Argentina and Algeria have become Colombia's main non-ICO markets. Exports to the UK. Leapt from 19,000 bags in 1980 to 276,000 bags in 1984 and continue to rise. Fedecafe is normally responsible for just over half of foreign sales, and private exporting companies

Colombia's exporters have re-joiced over the growth in coffee Japan, but they are realistic about future sales prospects Federafe's manager, Jorge Fedecafe's manager, Jorge Cardenas puts market stability and discipline above other con-siderations, and though Colombia would like to see stocks in-cluded as a criterion for calculating quotas, there is no interest in undermining the pact by taking advantage of other pro-

### Welsh farmers demand fresh poll

BY ROBIN REEVES

THE FARMERS 'UNION of forward question as to whether ducers last antumn voted over-Wales bas called for a re-run producers are either in favour whelmingly in favour of a Wa)es bas called for a re-run of the Milk Marketing Board poll on changing the producers' voting system because of what it described as the "incomprebensible and totally misleading" manner in which the issue is being put to producers.

FUW leoders say that they have been inundated with queries from milk producers unshle to understand the way the shle to understand the way the question has been worded on the votinug form. Mr Huw Hughes, FUW president, has written to the Board demanding a re-run of the poll, due to be completed on June 7.

Instead of asking a straight-

of changing to a one-producer one-vote system, or keeping the current weighted system, which gives each producer in MMB elections one vote plus one for every ten cows in his or her herd, the question reads: "Whether the amendments to

concerning voting procedures and published by them in the February 1985 edition of the 'Milk Producer' be submitted to the Ministry of Agriculture, Fisheries and Food and the Secretary of State for Wales. Please answer 'yes' or 'no'."

A referendum of milk pro-

change to one-producer one vote, reflecting dissatisfaction with the MMB's policy towards the threat of EEC milk ontput curhs. The Board was widely felt to have sought to protect its large rather than small producers from the cuts. The new poll represents a

rearguard action hy larger producers against the change. Voting is taking place under the weighted system which means that, in practice, two thirds of producers responsible for two thirds of milk output, must support the change if it is to be implemented

MOT 27.68 27.06 26.68 26.57 26.54 26.37 26.40 26.40

GOLD 100 troy oz. \$/troy oz

### UK oilseed processing still in decline

EF CURREN

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HONEY MAS

PODDON

Oilseed processing and refining in the UK declined further in 1984, the Seed Crushers and Oil Processors Association (Scopa) said.

The total tonnage of seeds crushed fell 12 per cent and output of crude oils by 4 per cent, compared with 1983. The operating level of the British industry was one-third down on the peak year of 1980. Scopa said the main factors were the rationalisation in operations of nany major companies and an unusually low level of world soyabean supplies.

Low 46,15 48,35 48,25 45,55 46,70 47,90 45,00 47,90

CHICAGO

### **LONDON MARKETS**

### BASE METALS ALUMINIUM

	Unofficia olose(p.n £ per	1J —	High /low
Cash 3 months	2876-7 £899-5	⊢15 10,5	B79,5/879 905,5/890
Official (890-1); th 11.5); settle close: 898-1	ement 861	ha 901.5- (891).	2 (910.5-

Cash Three m'nt	£1980-22 C	0.0 1214/1515 175 1818/1122
(1,227-9): (1,206-2):	three month	Cach 1.214-5 a 1.210.5-2.5 .215 (1,229).
		1.2 1195/1125 3.5
(1,197.1,202 (1,193.8): Turnover: 2	!); three mi	Cash 1.194-6 onthe 1.193-5 1.196 (7.202). U.S. Preducat per peund.

	£ per to		
Cash 5 months	8207,5-8.5 63000	⊢0.25 ⊢3.06	503/298 503/296
(301-2); ti settlement close: 300-	closing (si hree months 298.5 (30 0.5. Tumor 20.0-21.0 (	2995 2). [ ver: 7,25	(305-5) nel Ker O tonnes

-	Unofficial close(p.m. £ per t	.) —	High/ fow
Cash 0 months	£4415-25 £4385-90	[—1b, —50_	4448/4440 4422/4365
(4,430-5): 5): settlen	closing (a) three month ant 4,445 (	hs 4,415- (4,435)	20 (4.420- Final Kerb

### TIN

	£ per to	uu4	TOT GAY
Cash 0 m onths	£9425-30 £9410-10	-30.5 48	=
(2.458-65):	closing (sm three m settlement (	onthe	9,426-30
Standard	69410.90	40	2410

Official cineing (am): Caeb 9,446-2 (S.458-80): three months 8,414-5 (8,443-5): esttlement 9,442 (S.460)-Final Kerb close: 9,395-9,400. Turnous: 1,540 tonnas. Straits tin \$M28.81

	Unofficia close(5-m £ per	a.) —	High/low
ash months	2664-6 2664-5	+1,5 +1	270/655
Official (658-5); ti	ree mont	he 670-1	sh 670 2 (6595);

	Unofficial close(p.m.) £ per tor	_	High /low
Cash 3 months	2876-7 £899-5	-15 -10,5	B79,5/879 905,5/890
(890-1); ti	closing (em iree months ement 881 (8	901,5-	Z (910.5-

### COPPER

Higher grade	close 1	-	High/Lov	_
Cosh Three m'nthe	£1220-22 £1207.5-00	0.0 2.76	1214/15 1818/11	22
Official clo (1,227-8): ti (1,206-2): se Final Kerb ck	ree mo	1,21	1,210.5-2	.5
Cathodes Cash Three minths Official clo (1,197.1,202):	aing (em	+ 3.5	sh 1.194	.e

### LEAD

### NICKEL

-	Unofficial close(p.m. £ per t	.) —	High/ low
Cash 0 months	£4415-25 £4385-90	(—15, —50	4448;4440 4422;4865
(4,430-5):	closing (or three mont)	as 4,415	-20 (4.420-

	ctoes (p.m). £ per to	nne	for day		
Cash 0 m onths	£9425-30 £9410-10	-30.5 - 48	=		
Official closing (sm): Cach 2,440-5 (2,468-65); three months 9,426-30 (9,465-70); settlement 9,445 (2,465).					
Standard	¢9410.90	40	2410		

ZINC			
	Unofficia close(5.n £ per	1 + or 1.) — tonne	High/low
ash months	2664-6 2664-3	+1,5 +1	270/655
	ckeeing (	em): Co he 670-1	sah 670 2 (6595);

### MAIN PRICE CHANGES

official + or /High/low	METALS
£ per tonne	Aluminium£1100   £1100   £1100   £156/66
376-7  15   B79-5/879 399-510,5   905-5/890	Coppor Cash h Crade£1881.0-5.0 £1198 5 mtho£1207.7-2.76£1184.5
sing (em): Cash 580-1 months 901,5-2 (910.5- mt 881 (891). Finel Kerb Turnover: 11,900 tonnes.	Gold troy oz
_	Palladium oz
R	5 mths
Unoffic + or High/Low	Tungston
E1220-22 0.0 1214/1515 E/207.5-00 2.76 1818/1122	5 mthe

### GOLD

	Cold rose \$4% an ounce from
1	Monday's close in the Landon bullion
	market yesterday to finish at \$326%-
	3274. The matal opened at \$3234.
	323% and traded between a high of
	\$3274-3284 and a low of \$323-3234.
i	A firmer trend in the efterneen
	reflected renewed dollar weakness
	sithough demand eleckaned after the
	stremonn fixing se the market swelted
	further U.S. economic date.
	registance levels of around \$320.
•	

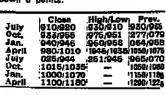
1		
	Close 55503,-3271, 0 poning \$3231,-5853, M'ni'g fix. 5324.75 Aft'n'nfbr. \$326,60	(£257-2071e) (£2561e-257) (£256.922) (£265.409)
	GOLD AND PLATIN	UM COINS
_	Kr'g'r'nd . 5337.5571e 10 Krug. 81735; 1741q 14 Krug. 8585; 891q 1/10 Krug. 8551; 3634 Mapioleaf 5337.3371e New 80v. 8771g.78	(£266 £651 <sub>4</sub> ) (£1363 <sub>4</sub> -137) (£693 <sub>4</sub> -701 <sub>4</sub> ) (£281 <sub>4</sub> -25) (£25 £661 <sub>2</sub> ) (£01-211 <sub>4</sub> )

SILVE	R			
Oilver v higher for bullion m: U.8, cent levels we three-mont month 680 711.35c, u et 6182-52 et 5232-52	srknt ys equival ns; epor h 666.00 kc, ug 1 g 19.4c,	livery In aterday anta of t 653.5c c, uo 7.9c; er The m 3-666c)	the Lo et 916 the c, ug 15.3c; ed 12-n	ndon 5.80p. fixing 18c: slx. snonth
SILVER	Bultion	tool !	ME	و حا

### Cach high-low 817.5; three months Lick 538, low 533, fisel Kerb 535.E-7.

### FREIGHT FUTURES





		niess tated	
OILS.	May 14	+or	Month ago
Coconut (Phil) Palm Malayan	\$720 \$630	-25	8880 8650
SEED8			
Copra Phil Soyabean (U.S.)	\$450x \$242.2	-20 5-2.5	\$490 <b>\$249</b> ,
ORAINS			
Barley Fut. Sep Maize	£160.00	0.5	£98,40
Wheat Fut. July Ho. 2 Hard Wint	E122,70	7 <del></del> 0.4	e1 23,4

### GRAINS

ay's close in the Landon bullion of yesterdey to finish of \$326%.  The metal opened of \$323%.	dull end drilred in tsets reports Mulrosce.	ursiese tradin	
and traded between a high of 3284 and a low of \$323-3222. Immer lead in the afternoon ted renewed dollar weakness	WHEAT  Yesterd'ys + or   Moth close -	BARLEY Yesterdys + o close -	
ugh demend eleckaned ofter the conn fixing se the market eweited or U.S. economic data, cance lovely of eround \$320.  BULLIAN (fine ounce) May 14	July 122.70 -0.40 Sept. 99.80 -0.20		
5550%-32714 (£257-20714) ing \$32314-58584 (£25614-£57) of the 5234-75	Business dons—Whos 8.60, July 123.05-2.65, 5 Nov 103.00-2.95, Jan 10	Sept 99.80-5.7	

	148.75, July 149.50, Aug 147.60, Sar
Ì	148. Oct 149 cellers transhipment cel
١	coent. U.2, no 2 soft red winter Jun
1	134.25, July 131.50, Aug 13.50, Ser
١	135.25, Oct 137.25 sellare. EC herver
	119 quoted, English feed fob Ma
1	124.50 sellers sent coast. Maize: U.S
1	no 5 yellow/French transhipment sat
	coast May 150. Berley: English fee
4	fob Sept 99 sellers sest Coest. Res
1	unquoted.
1	HGCA—Locational ex-ferm epo
1	grices, Feed barley: 8. East 115.20
ı	2. Went 114.80, W. Mide 111.70, N
ł	West 113.90. The UK monetary co
ı	sflicient for the week beginning Monds
ľ	Man 20 /hased on HCCA coloulation

PHYSICALS — The London merket opened easier, drifted lower throughout the day and closed on a quiet end seeler note, raperts Lawis and Peat. Closing grices (buyers) spot 64.00p (65.00p); June 67.50p (68.00p); July 68.00p (68.50p). The Kuels Lumgur lob price for RO2 No 1 wes 150.5 (192.0) cents a kg and for SMR 20 was 181.0 (191.0)

Į	COPFI			
	eterling 51 reports 118 house bu recovery t merket end values und	L. Saste-c ying enco out a we continued or presoure	isses lown o ursged skor trede i	ot £1C-1 nmmissid o bn New You salling ker
	COFFEE	Yestard'ya Close	+-	eusiness Dona
	May	2054-58	i87.0	·2078 53

# Soles: 2.574 (1.752) lote of 5 tonnes. 1CO indicator prices (U.B. cents per pound) for May 13: Como deily 1972 (132.00 (131.94): 15.day average 132.12 (132.12).

### INDICES FINANCIAL TIMES May 13 May 10 M'th ago Year ago 894,42 250,69 295,53 512,08

8,40 ±	REUTERS May 14 May 15 Mith ago	Yearag
23,40	1847.5 1052.3 1930.3	1989.3
_	(Base: September 18 193	
887.5 097	MOODY'S	

### May 13 May 10 Mth ago Yearago (u) \$22.5 022.0 1060.7

### Dow May May Month Year Jones 15 10 sgo ago Spot | 117.84 | 117.02 | 121.59 | 158.27 Fut | 152.85 | 122.45 | 124.90 | 158.55 (Bese: Decamber 31 | 1974 = 100)

	COCOA  After opening a little steedier than expected futures were unable to hold the levele eyel asset toward the class.			
•	COCOA	Yesterday's Close	+ or	Business Done
		2 per tonne		
	July Sept Oec Mar	1015 1315 1046 1845 1050 1826 1781-1782 1780-1785 1790-1806 1690-1820	-13.0 -10.0 6.5 6.0	1865 1841 1828 1825 1789-1778 1790-1781 1800
5	Bales: 2	.282 (2,092)	) lots	of 10 S. cents

SUGAR	
LONDON DAILY PRICE-Rew sugar	,
588 00 (589 50), up \$3.00 (up £1.00) a	i
\$88.00 (589.50), up \$3.00 (up £1.00) a tonno for Mey-June dalivery. White	í
suger \$131,50, ug \$2.50.	•
The market lollielly ettempted to cen-	
solidars the evamight gains and	
October reached \$102 during the mem-	
ing. Following F. O. Licht's publication	
of an estimate of world production 3m	i
tonnes up on their lest figure losses	i
of \$3 were quickly recorded, reports	i
C. Czemikow.	
•	

# 98.8-87.0 (97.2-97.4 98.4 95.0 108.8 109.4 109.4 109.5 102.0 99.4 108.8 107.0 107.0 107.0 107.0 107.0 118.2 119.4 117.2 118.4 117.2 119.4 117.2 119.7

### SOYABEAN ME The merket opened 30

quiet trado, reports T. G. Roddick. Prices sreded further on stronger starling to close on the lows.			
	Yesterday olose	+ or —	Business Done
Juno August October Dec Feb Agr	120,60-190,9 122,70-126,8 127,44-127,7 152,50-152,0 155,50-154,9 155,60-155,0		121,0 125,4 128,90-127,8 182,40

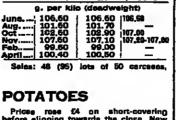
# Srent Bland for June and July traded thinly 20c higher while May cargoes were a little weeker. Nymex opened Stoup and stayed within a rannow 11c range during morning trading. In the petroleum products market gas oil prices firmed on Continental demend via the barges due to the wasker delice content of Continental demend via the barges due to the wasker followers and content of the content of t beavy fuel market was stable and quiel —Petroleum Argua, London.

SPOT PRICES

CRUDE NIL-FOR (\$		Change + or -
Arab Light	26.90 27.00 06.30 26.60 26.70-25.80 26.46 28.60	-0.10 -0.00 -0.176
Foreados (Rigeria)	26,70-26,80 25,85-25,95* Vest Europe	+0,05
Premium gasoline Gas Oil Heavy fuel oil		1

GAS OIL F	UTURES		
Month	Yest'day's Close	+ or	Business Done
	5 U.S. per tonne		
Juno July Aug	918,00 217,00 915,25	+9.00	218.75-18.75 218,25-16.25 218,50-18.60
Se5 Oct	221,60		221,60-19,75
Tumover:	1,406 (6	88) lo	 ots of 100

# PIGMEAT



# & per tonne

AL	MEAT
p lower in 3. Roddick. on stronger	5MITHFIELD—Pence per pound. Beef —Scorch killed eides 77,0-81.0; English hindquertere 98,0-102.0, lorequertere
r Business Done	50.0-56.0: Ulster bindquartere 96.0- 101.0. Veel Dutch hinds and onde 137.0-141.0. Lemb—English emeil 100.0- 110.0, modium 100.0-106.0. heavy 96.0-
0 -	98.0; Imported: New Zealand Pt. 87.0-68.0; PX 84.5-65.5. Pork—English under 100 lb 48.2-58.3, 100-120 lb 91.0-56.5, 120-160 lb 43.0-48.0.

COMMISSION — Average prices et representative GB—Cattle 100.17g per kg GB—Shece 221.44p per re (-8.56). GB—Pigs 82.15g

### HEATING OIL drifted lower as the seasonally higher gaso-line production weighed negatively on the willingness to carry distillate stocks; reports Heinold Commodities, Maize was mixed in a very narrow

sharply

range on unwinding of old

**U.S. MARKETS** 

came in for ation. Soyanearby months liquidation. generated by heavy pressure on soya oil prices. The precious metals settled back ta close modestly lower on scattered profit-taking reflect-

ing an overbought condition following Monday's sharp rise. Copper steaded on the strength to sterling along with a decline in exchange with a decline in exchange stocks. The deferred months in cocoa continued to be supported by the unwinding of bull spreads. Coffee continued to drift lower on availability of supply. Sugar was slightly lower on the npward revision in 1984-85 production by a private forecaster. Cotton weakened on noor demand prospects. poor demand prospects.



### Cloca 70,40 69,45 70,25 71,05 72,00 73,00 74,00 High 71.25 70.50 70.80 71.65 72.50 74.50 Ciose 1 160.00 64 Sept 151.60 57 Nov 149.80 43 Jan 149.05 48 March 149.15 48 May 149.15 July 149.15 July 149.15 PLATINUM 50 troy of May 279.6 High 289.2 June 289.7 Luly 282.4 289.3 Oct 287.7 299.0 Jan 232.6 303.5 SELVER 5,000 tray ex. Figh May 657.3 670.0 July 660.0 672.0 Sept 673.0 673.0 Sept 673.0 677.5 Jan 692.5 680.0 March 702.5 714.5 Mary 713.1 725.0 Mary 713.1 725.0 Sept 736.8 745.5 EUGAR WORLD " 11 "112,000 Rb, cents/lb Close High Close 279.6 280.7 282.4 287.7 283.6 293.6 Low 655.5 659.0 669.0 684.0 696.0 713.0 727.0 743.0 Close High L May 144.00 44.00 43 July 143.87 44.15 43 Sopt 144.46 44.90 43 Dec 143.71 44.66 43 May 143.91 — July 142.09 42.30 41 COPPER 25.000 lb, cents/lb 64.70 64.70 66.36 95.00 66.96 67.90 67.80 68.25 Prev 64.10 64.40 64.85 66.45 68.10 66.30 67.10 67.85 July Sept Oct Jan March May July Sept Oct High 3.16 5.26 5.43 3.79 4.22 4.43 4.65 4.80 Low 5.05 5.18 5.32 3.75 4.18 4.33 4.60 4.80



### OTHER MARKETS

### **WOOL FUTURES**

Close 64.20 64.45 64.90 66.60 68.30 68.70 67.10 67.45 67.80

May June July Sept Nec Jan March May July Sept

SYDNEY GREASY WOOL—Close (in order: buyer, soller, business). Australian cents 5er kg. May 622.0. 625.5; July 633.5, 639.0, 635.0; Oct 620.5, 621.0, 621.0, 622.0, 622.0, 621.0, 620.0, nll; July 635.0, 645.0, nll; Oct 625.0, 645.0, nll. Soles: 31. Solos: 31.

LONDON NEW ZEALAND CROSS-BREDS—Close (in ordor: buyer, seller, business). New Zealand cents per kg. May 510. 513, 512-511; Aug 532, 534, 536-533; Oct 532, 534, 536-532; Oec 533, 534, 538-534; Jen 524, 638, 536-534; Mer 543, 545, 546-543; Mey 549, 51, 552-50; Aug 562, 665, 563; Oct 60, 566, nll, Salec: 146,

COCOA—(Ffr per 100 kg): May 2,141-2,148. July 2,145-2,200, Sept 2,131-2,134. Dec 2,068-2,062. March 2,055-2,070, May 2,030 asked. July

# LIVERPOOL-8pet

WHEAT—(U.S. \$ per tonne): U.S. two seft red winter June 150, July 146, Aug 166, Sept 149, Oct 151 sellers. U.S. two northom epriog 14 per cent frosten epot 180, Moy/Juns 170,50, June 168,30, July 168,50, Aug 167, Sept 164,50 sellers. U.S. northern egring 15 per cent protein June 17,50, July 178, Aug 178,50, aept 177 sellers. U.S. three hard smber durum Mey/June 179,90, June 178, July 178, Aug 178, Sept 172, Oct 178 solcrs. Canadien em western smber durum Mey/June 189, June 149, June 149, June 189, Aug 189, Sept 187 sellers: MAIZE—(U.S. \$ per tonne): U.S. three yelow May 134, June 132, July 132,50, July/Aug 132,50, Ilct/Ocg 128 sellers.

CHICAGO

GNNIA (CBT) 9% 5100,000 32nde o

TREASURY BONDS (CBT) 8%
000 32nda of 100%

73.14 73-12 72-27 72-7
72-14 72-10 71-26 71-7
71-1d 71-20 70-28 70-1
h 70-22 70-23 70-03 70-1
69-30 69-30 89-11 69-1
68-08 59-08 68.21 59-1
68-21 68-21 68-21 68-21

Latest 92.01 91.96 21.62 91.33 91.08 90.88 90.69 90.51

CERT DEPOSIT

97.42 81.99 91.64 91.33 91.08 90.88 90.89 90.51

Latari Hich 91.53 91.54 90.91 91.00 90.47 90.48 90.10 90.12 99.91 89.84 89.58 89.01 89.36 89.39 89.19 89.18

Lates1 High Low 1 2620 1.2625 1.2475 1.2500 1.2505 1.2365 1.2400 1.1420 1.2300

STERLING (IMM) Se per £

1,2400 1,2400

### CURRENCIES, MONEY and CAPITAL MARKETS

FFr 11.74 and Y318.0 from Y315.0.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9738. April average index

3.0856. Exchange rate index 122.3 egainst 122.5 six months

The dollar closed weaker in

Frankfurt yesterday, failing to gain any inspiration from the

gain any inspiration from the latest set of U.S. retail sales figures. It touched a high of DM 3.0940 but fell back quito sharply on profit including as market sentiment remained predominantly bearlsh. The U.S. unit finished at DM 3.0815 down from DM 3.0800 or Monday.

from DM 3.0800 on Monday, having touched a low of

£ IN NEW YORK

FOREIGN EXCHANGES

### Bearish tone depresses dollar

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57<u>.</u>

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11.15 1 000 Su mm. com

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37.93 € 45.03 € 47.51 €

460

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more.

Much will depend on today's industrial production figures as these should give an indication as to whether the increase in retail sales is just a further reflection of increased imports. fiection of increased imports caused by a strong dollar or a genuine upturn in domestic growth. Against this background the dollar continued to reflect recent market uncertainty and fell to a three-week low against the D-mark to finish at DM 3.0425 from DM 3.0725 on Monday. It had touched a high of DM 3.0940.

Elsewhere it finished at SwFr 2.5650 from SwFr 2.5825

The dollar closed around the day's lows in currency markets yesterday after fluctuating quite sharply in generally nervous from FFr 9.37. On Bank of trading. News of 2 0.9 per cent rise in U.S. retail sales prompted an unexpected demand for the dollar but it fell just as sharply in later trading as profit taking developed. Dealers auggested that retail sales figures on their own were insufficient to influence the markets current bearish tone.

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The dollar closed around the and Y2i9.55 compared with ogo figure was 76.5.

Sterling benefiled from the color's weak trend with the reio dilor's weak trend with the reio tivoty high lovel of UK interest rates adding to its attraction. It closed et \$1.2730.1.2740, a rise along the state of 1.95c from Monday. It was also lower against the dollar's market index fall to 144.9 from 145.9.

STERLING — Trading range of 1.95c from Monday. It was also lower against the dollar's market index fall to 144.9 from 145.9.

STERLING — Trading range of 1.95c from Monday. It was also lower against major benefiled from the tivoty high lovel of UK interest rates adding to its attraction. It closed et \$1.2730.1.2740, a rise gainst the dollar's also higher against major Europe pean currencies, rising to DM: Swfr 3.2650 compared with orgin in 185.

Sterling benefiled from the tivoty high lovel of UK interest rates adding to its attraction. It closed et \$1.2730.1.2740, a rise gainst the dollar's also higher against major Europe pean currencies, rising to DM: Swfr 3.2650 compared with the reio.

EMS EUROPEAN CURRENCY UNIT RATES

		Etra Central rates	amounts against Scu May 14	from control	% changs adjusted for divergence	Divergence limit %
١.	Balgian (rang 170	44,9006	45.0698	+0.37	+0.47	±1.5471
,	Benish krone	8.14104	2.08042	0.99	-0.89	± 5.6419
•	German O-reark.	2,24134	2.23882	-0.13	-0.03	±1.1476
	French franc	8.87456	6.83416	-0.59	0.49	±1.3669
	Outch guilder	2.525\$5	2.53087	+5.12	+0.25	±1.5171
	Irish punt	0.72569	0.715447	-1.41	-1.31	±1.6673
•	Italian ilra	1403.49	1429.82	+1.68	+1.28	±4.0410
	Change Weak c	s fre for tourney. A	cu, therefore djustment colo	positive che	inapplet Time	8 5.

UK1

**CURRENCY MOVEMENTS** 

Bank of Morgan England Guaranty Index Change %

-10.3 +30.4 -7.3 +d.1 -10.0 -d.0 +7.0 +7.7 +5.1 -10.9 +11.d

79.2 144.2 97.0 118.1 89.4 77.4 129.5 188.4 184.4 1dd.9

POUND SPOT-FORWARD AGAINST POUND

Day's spread Close One month p.a. months p 4.13 0.03 d.52 3.30 3.61 -0.58 8.86 -14.10 -0.73

OTHER CURRENCIES Argentina Peso. 626, 12-628-63 499.90 500.80 Austria Australia Collar. 1,8166-1,8210 1,4300 1,4450 Balgium 0,160 5,160 0,463 6,488 0,160 B. (1980 0,465 6,486 0,160 B. (1980 0,486 6,486 0,186 0 27.10-27.40 77.83-78.00 1d.88-14.02 11.75-11.86 d.9514-d.8814 2445-2490 517.520 4.04-39 11.17-11.86 915-2-85 0114-2-2014 11.81-11.42 d.8414-3-2714 1.2012-1.2714 510-350 Provessors Asses fell to per cent of crude oils by 4 g

\* Solice rate. † Correction (May 13): Greek Brechma-E rate was 158.50-172,16

### **EXCHANGE CROSS RATES**

Pound St'rliogi U.S. Gollar | Deutschem ki.J'panese Yeh! FranchFranc'Swiss Franc Duton Gulid; Italian Lira |Canada Pollar Bolgian Fran Pound Sterling J.S. Dollar 11.84 8,300 1,755 0,958 3,145 9,328 3.052 37,38 0.548 1,132 0.452 20,14 245,0 1e.10 French Franc 10 -8.276 -1,168 10. 3,626 2,750 3.709 1.346 2092. 758.3 1,483 0,538 65,99 1.076 Dutch Guilder Italian Linx 1900 2.696 4.780 0.744 554.0 1000, 0,400 17.79 21.54 0,290 1.773 Canadian Dollar Belgian Franc 100 0,570 4,966 4,161 2,501 5,621 1411. 3170. 44.50 100. B.947

**EURO-CURRENCY INTEREST RATES** (Market closing rates) Danish Krono Dollar Dollar Swiss Franc May. 14 .Sterling Short-term
7 day'n notice ...
Month
Three months

Asian \$ (closing cases to Biogapora): Shert-term 8½.5% per cent; seven days 8½.5% per cent; ens month 8½.5% per cent; three months 8½.5% per cent; nix months 8½.5% per cent; one year 5½.5% per cent; five years 10½.10% per cent; five years 10½.10% per cent; five years 11½.11% per cent; nominal. Short-term rates are call for U.S. dollare and Japanese yen; others two days' nation.

### **MONEY MARKETS**

### London rates slightly easier

ing sentiment, as overseas investors continue to be attracted by the high level of London

by the high level of London rates. The current rate structure was heavily underpinned last week by the very disappointing mid-april UK money supply and bank lending figures. These set back any thoughts of lower clearing bank base rates for at loast a month, and any downward drift in money market rates must be seen against this background.

UK clearing hanks base lending rate 121-121 per cent since April 19

Three-month interbank closed at 12 %-12 the per cent, compared with 12 1-12 per cent, whils discount houses offered to buy three-month eligible bank bills at 12 th per cent against 12 th-12 the per cent against 12 th-12 th-1

The Bank of England forecast a money market shortage of £800m, but provided total help of

In an early round of assistance fills bills were bought outright, by way of £28m bank

FT LONDON

(11.00 a.m. May 14) 3 months U.S. dollars offer 84/18 bld 81/11 8 months U.S. dollars M6 8 1/2 offer B 5/8

The fixing rates are the erithmetic means, rdended to the nearest constituents, of the bid and offered rates for \$10m quoted by the market to live reference benke at 11 and each working day. The banks are National Westmington Benk, Benk el Tokyo, Deutsche Benk, Schique Aktionale de Paris and Morgae Gueranty Trust.

Interest rates had a slightly softer tone on the Loudon money market yesterday. Trading was quiet, but dealers suggested there is a good underlying mood at present. Sterling's strength against a weaker dollar is help-

Another £87m bills were pur-chased outright before lunch, through £23m bank bills in band 1 at 12½ per cent; £2m Treasury bills in band 2 at 12½ per cent; £11m bank bills in band 2 at 12½ per cent; £12m bank bills in band 3 ot 12½ per cent; £22m

Treasury bills in band 4 (64-91 days) at 12 per cent; £15m local authority bills in band 4 at 12 per cent; and £2m bank bills in band 4 at 12 per In the afternoon the Bank of

nands, repayment of late assistance and a take-up of Treasury bills drained £288m, with the unwinding of repurchase agreement ebsorbing £441m, Exchoquer transactions £165m, and bank balanced below target another £40m. These outwelghed n fall in the note circulation adding £55m to liquidity. In the afternoon the Bank of England bought £521m bills outright, by way of £38m bank bills in band I ot 124 per cent; £331m bank bills in band 2 et 12‡ per cent; £94m bank bills in band 8 et 12‡ per cent; and £58m bank bills in band 4 at 12 per cent.

MONEY RATES May 12

Milen Dublin Zurloh 5,96B79 6,2812d 014-234 434-0 03g-61g 15-15% 410-510 814.0tz 814.91g 618-618 618-018 0.34575 Ξ 078

Discount Houses Deposit and Bill Rates LONDON MONEY RATES Fine Trade (Euy) Treatur (Buy) 125, 14 125g 125g 10s<sub>6</sub> 12s<sub>6</sub>-12s<sub>4</sub> 12s<sub>6</sub> 12s<sub>6</sub> 12s<sub>6</sub> 1816 1216 1014 1214 1834-1276 1918 1878 1978 1978 124 108 1212 108 12 104 112 113 104 124 124 116

ECU Linked Deposits INTERBANK FIXING 1250 1050 1256 1256 1856 1814 8 B B 18

94.97 ECRO Fixed Rate Expert Finance IV: Average Rate of Interest period April 3 to May 7 (Inclusive): 12.767 per cent, Local suthorities and finance houses saved days' notice, others saven days' fixed. Finance Houses Base houses asved days' notice, others saven days' fixed. Finance Houses Base fixed (published by the Finance Houses Association): 13's per cent from May 1, 1365. London and Scottisk Clanding Bank Raten for lending 12's-12's per cent may 1, 1365. London and Scottisk Clanding Bank Raten for lending 12's-12's per cent (net). Bank Daposit Rates to nume at saven days' notice 66-7.25 per cent (net). Bank Daposit Rates for nume at saven days' notice 66-7.25 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribut 11.8625 per cent, Cartificates of Trescuty Bitls: Average tender rates of distribution of the distribution of the

MONEY RATES NEW YORK (Lunchtime) Prime rate
Broker loan rate
Fed lunds
Fed funds et Intervention ...

One month Two month Three month

Two year Three year Feur year Five year Esven year

### FINANCIAL FUTURES

### Strong close

delivery,
September Eurodollars opened unchaoged at 90.85, noarly the lowest level of the day, and quickly rose to 90.87, where profit-taking took the price down to 90.84. Selling was not heavy, however, and the market remained steady until the Chicago opening and the publication of April U.S. retail sales

May 14 | prev. close 81.272081,2661,2018-1,25.40 0,50-0,48pm '0.01-0,49pm 1,00 1,20pm 1,30-1,26pm 3,35-3,20em 3,20-3,10pm remiums and discounts apply to the U.S. dollar DOLLAR SPOT-FORWARD AGAINST DOLLAR

tay 14 sprace Close One month p.s. months p.s. months

**CURRENCY RATES** 

0.23 1.4133 10.7840 24 61.8289 7 10.2773 8.06048 41 3.04669 2.26882 61 10.2775 8.06048 41 3.4009 2.26882 61 10.2775 8.06048 41 3.4009 2.26882 6.89410 1014 NIA 1429.22 91 240.354 192.651 192.651 171.770 126.014 2.55619 1286.014 2.55619 128685 2012 134.644 98.7274 1334 0.278995.0.715447

Morgan Guaranty changes: 1980-1982=100, Bank of Engla (base average 1976=100),

Bills maturing in official

hands, repayment of late assist-

78,10 61,40

June 132.20 133.00 131.50 132.70
Sept 132.80 133.35 132.10 133.25
Est voltame 449 (668)
Previous day's open int 1,311 (1,235)
U.S. TREASURY BONDS B% \$100,000
32nds of 100%

STERLING INDEX 8.30 am ..... 9.00 am ..... 10,00 am ..... 11.00 am ..... Noon 1.00 pm ..... 2.00 pm .....

June Sep1 Dec March June Sept

Trading in the short-dated figures. The ride of 0.9 per cent interest-rate contracts on the was lower than expected, and London International Financial took the contract up to the day'd peak of 90.96, with Chicago moved strongly to September touching 91.03. The revised fall of 0.7 per cent for March retraint causes against an earlier drep of sales against an earlier drep of sales, against an earlier drop of 1.9 per cent, indicated a rather stronger first-quarter economic stronger instituation economic performance than before, and triggered an immediate self-off. This took the contract back to 90.84, before renewed buying lifted the price almost bock to the day's high, when it closed et 90.93

LONDON

June 91.55 B1.56 91.47 81.48 June 91.55 B1.56 91.47 81.48 June Dec 90.48 90.49 80.38 80.34 90.83 Sept Dec 90.48 90.49 80.38 80.34 Dec March 90.13 90.03 90.07 89.93 June 89.83 89.70 89.70 89.67 Sept Previous day's apan it 12.228 (18.466) 1100.07 \$100,000 32nde of Tours

June 73.14 73-12 72-27 72-27

Sept 72-14 72-10 71-26 71-26

Dec 71-1d 71-20 70-28 70-27

June 69-30 69-30 69-31 68-31

Sept 69-08 69-28 68-21 68-21

March 72-24 68-23 68-21 68-2

June 69-30 69-30 68-21 68-2

Dec 68-21 68-23 68-21 68-2

June 69-30 68-21 68-2

June 69-30 68-2

June 69-30 68-30 68-3

Dec 68-21 68-3

Sept 68-3

Dec 68-4

U.S. TREASURY BILLS (IMM) 51m

points of 100% | points of 100°;
Close	High	Low	Proving		
June	87.58	87.45	87.48		
Sept	88.96	88.38	88.22	88.27	
Dec	28.80	88.77	88.70	88.57	
March	83.02	89.02	88.90	88.90	
June	89.12	89.00	89.00	89.00	
Est volume	1,580	(1,006)			
Previous	day's	open	kn	7,257	(7,100)

32nds of 100%

Closs High L.m Prev

June 105-20 105-25 105-05 105-19

Sept 108-31 109-00 108-23 108-22

Dec 108-05 — 108-25

March 108-25 — 108-17

Es1 volume 2,578 (2,672)

Previous dey'n open int 3,505 (3,223)

Bosia quote (clean cash price of 13½%, Trassry 2003 less equivalent price of naer intrea contract) —10 te par (32nds)

STERLINO 125,000 5 per C

OM Close High Low Prev June 0.3283 0.3272 0.3232 0.3278 Sept 0.3007 0.3292 0.3273 0.3272 Ea1 volume 83 (133)
Previous dey's open in1 28\$ (237) Juna 0.3897 — — 0. Sept 0.3933 — — 0. Est volume nil (nil) Previous day's open in 1 155 (147) JAPANESE YEN Y12.5m \$ per Y100

June 0.4013 — 0.
Sept 0.4013 — 0.
Est volume no (7)
Previous day's open in1 155 (150)

Low Prev 72-28 72-31 71-29 71-29 June 73-21 73-21 72-28 72-31 Sept 72-20 72-14 71-29 71-29 Est volume 3.347 (1.699) Previous clay's open in1 2,876 (2,463)

May 14 Previou 78.1 78.2 78.4 78.4 3.00 pm ..... 4.00. pm

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**Money Market Cheque** Account Jersey

12.05

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Prev 1.2635 1.2415 1.2265 1.2265 1.2506

U.S. \$150,000,000



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42	WORLD STOCK MARKETS	
OVER-THE   Stock Safes High Low Last Chan   Stock Safes High Low Last (Houles)		Indices
COUNTER  Gott Goots Goods Grado Grado Grado Grado Grante 24 13½ 12½ 12½ 12½ Gould Fracc A4 4 12¼ 12¼ 12½ Grado Grado Grado Grante 28 6 74 7½ Grado Grante 24 13¾ 13¼ 19½ IndBop 1.92 6 37¾ 37¼ 57 IndBop 1.92 6 37¼ 37¼ 57 In	+14 16mbal 54 1 30 30 30 +14 NEW YORK-now Jones	AUSTRALIA
Stack Sales High Low Last Clarg   GrophMid   11 374 514 374 -19   Indfel 20 274 274 274   (Indict)   GrophSc	Kruger 8 .32 814 147 <sub>5</sub> 148 <sub>5</sub> 148 <sub>6</sub> +1 <sub>5</sub> 127 13 10 8 8 7 High Kuricke .18 799 181 <sub>2</sub> 16 181 <sub>4</sub> -1 <sub>4</sub> 14 13 10 8 8 7 High Kuricke .18 799 181 <sub>2</sub> 16 181 <sub>4</sub> -1 <sub>4</sub> 16 181 <sub>4</sub> -1 <sub>4</sub> 173 12715 12714 18 1282.38 1249.78 1252.78 12293.38 1249.78 1252.78 1239.38	1134 981 7293 36 41.22 Metals & Minis. (1/1/88) 367.8 36.38 34.85 35.38 (18:5) 18/27 (20)7 AUSTRIA Oredit Aktien (2/1/62) 34.38 34.78 35.38 (18:5) 18/27 (20)7
GWPSB .48r 4 191, 18 191, 11 181, 11 1	108mk 198 74 7 7 1895981 508.72 617.26 617.27 584.86 552.45 11/3	\$53.63 \$25.39 \$12.32 \$47.11 \$12.55 \$17.735 \$ELG(UM \$2225.57 \$225.57 \$225.46 \$2516.66 \$2516.66 \$17.735 \$146.54 \$15.72 \$10.5
Silver 22 10 101, 197, A.L.   Grussian 44 140 141 141 141 141 141 141 141 141	+1g LaPete 8 67 15 141 141, -1g UBBS 150.10 150.50 160.50	Very Son (Annual Column (25)   121.6
Profiles 1.50 50 50 50 50 50 50 50 50 50 50 50 50 5	14 Lames 80 68 1414 14 1414 bel De Yink 162 4.32 4.32	4.72 GERMANY FAZ Aktlen (81/12/55)   482.57   429.11   478.54   425.00   452.57 (14/6)   582.36 (3/1) Commerzbank (1/12/55)   1255.8   1251.2   7244.55   1,244.5   1255.8 (17/6)   1111.2 (3/1)
File	-14 Local 32 124 50, 50, 50, 50, 50, 50, 50, 50, 50, 50,	Low High Low Hang Song Barik(81/7/84) 1816,00 1622.20 1613,41 1,610.00 1828,28(18/8); 1222.79 (2/1)
PIONBR   1.80   2   39   38   39   +112   HWO   Am   254   134	Lawer s .26 233 28 2774 2774 +% LeeCts 630 69, 59 59 59 -% Companie 182.87 184.81 184.28 181.82 180.78 184.81 1 -3. Leeco 25 1814 1112 1112 1112 1112 1112 1112 1112	[2/1] [1/3/25] [30/6/32] Barron Comm Hal. (1972) 505,67 294,47 283.92 286.65 606,67(446) 1250.65 (215)  83.65 184.51 4.46 JAPAN** [2/1] [13/2] (1/8/32) Nikkel-Dow (18/5/49) 12604.2 12641.5 12627.5 12474.8 1 12888.2(3/4) 17643.2 (6/7) 17643.
Fiscoty 760 28 231 221 231 +1   Halmi 438 21 29 27-18+1-18   Halmi 12 104 104 105 105 105 105 105 105 105 105 105 105	Lexicon 558 31, 91-181-19 - 11 -12 Lexicta 278 21- 21 <sub>4</sub> 21- 11 -13 Lexicta 1 201 <sub>2</sub> 202 <sub>2</sub> 202 <sub>2</sub> + 1 <sub>2</sub> init tile yield the 2.83 3.84 3.85	3.93 ANP-CBS Garrera (1970) 207.3 171.5 172.5 172.1 172.2 (7/8) 177.5 (3/1) 17.42 (7/8) 174.2 (7/8) 17
Figure 226 4 501-501-501- 1 Hardine 2 23 84 8 8 -4 10-10-11 118 21 51-63	Lingrd 1006 2912 2912 -14 1985	Octo SE (4/1/80) 252.37 584.48 652.58 501.40 501.64 501.50 501.60 501.40 501.60
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Furner 24 49 1234 123- 123- 144 Helix 96 312 30 30 -12 limit wt 22 414 49 49	Local 078 213 18 17 17t2 - 12 1000 1 100 1	Sweder 3.55p.m. Diagram Jacobson & P (11/63) 1808.54 1424.75 3458.5512,455.41 1488,66(11/2) 1861.66 (2/4)
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CONTENTS

# FINANCIAL TIMES SURVEY

# South Korea

Within a generation, South Korea has risen from dire poverty and war to economic power. Now it faces crucial social and political decisions on its future.

### Prodigy on brink of adulthood

By Anatole Kaletsky

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SOUTH KOREA today is like a child prodigy on the brink of adulthood. For more than 20 years the world has marvelled

adulthood. For more than 20 years the world has marvelled as this extraordinary nation, born in the athes of war with no inheritance but native wir and driving ambition, has performed feats of economic agility which seemed to defy all experience or expectations.

Within a generation is has pulled itself up from direst poverty to within hailing distance of some European countries. Its income per head in 1960 was below that of Bolivia, Sudan and Ghana, yet today south Korea is far ahead of Turkey and closing on Portugal and Yugoslavia. This year its GNP per head will break through the symbotic \$2,000.

Korea is at the level of economic development and per capita output, adjusted for inflation, reached by Japan in the late 1950s. Within another generation it expects to be enjoying living standards equal to

ing living standards equal to Japan's today.

In one market after another Britain.

Korea's industries have chal-lenged the U.S., Europe and Japan. In civil engineering, it leads the world; in shiphniiding it is second only to Japan; in steel, electronics and automobile manufacture it is becoming an impressive force.

All this has been achieved first developing country to join

land reforms in the late 1940s redistributed three-quarters of the cultivable land, and fixed a the cultivable land, and fixed a constitutional ceiling of three hectares on any individual's holdings, Korea has been a passionately egalitarian country. Elimination of moverty, provision of health and education and judicious use of subsidies and price controls to ensure that rural population shared in the rural population shared in the benefits of industrial produc-tivity growth have been pivotal to the Government's economic

Korea's income distribution is almost as equal as in Israel and Yugoslavia and is a far cry from the extremes of poverty and wealth in other industrialising countries like Mexico and Brazil. It has all but eliminated mainutrition and spectacularly improved the health of its people — life expectancy has risen by an average of eight months every year that has passed since 1960.

It has achieved universal literacy and today a Foresan

literacy and today a Korean teenager is more likely to complete a full high-school curri-culum than a youth in Italy or Yet with all these accomplish-

ments, Korea seems strangely

alongside an exceptional com- the club of advanced indus-minment to economic equality trialised countries, the Organi-and social welfare. Ever since sation for Economic Co-operation and Development. Emotionally, Korea's moment of maturity

seems even closer.
As the country prepares to host the Olympics in 1988, it revels in the first intoxicating and are in no mood to comexperiences with democracy after February's legislative elections. They have run out of patieoce and are in no mood to comexperiences with democracy after February's legislative elections. tions. Above al, it awaits with trepidation to see if President Chun Doo Hwan will fulfil his promise to allow in 1988 the nation's first peaceful transition

### Possessive

The impatience is aimost palpable. Koreans can hardly wait to cross the threshold from the third to the first world.

But as the prodigy comes of age, it is discovering that there is more to adult life than econo-

age, it is discovering that there is more to adult life than economic virtuosity. The single-minded pursuit of modernisation has left an embarrassing gap between the country's economic maturity and its dangerously backward, potentially oppressive, political system.

Like a possessive parent, the military establishment which guided Korea through its early triumphs is reluctant to let go, even as the maturing nation

They have been seeking demo-cratic rights for more than 20 years. Some, like the charis-matic Mr Kim Dae-Jung, have spent much of their adult lives in prison or exile.

There are good reasons, then, why many Koreans are full of trepidation about their political future. The stunoing swing against the governing Derocratic Justlee Party in the February elections has undercut the president's gradualism and set both sides on a confrontation course.

Everybody, from Kim Dae Jung to some of the president's own advisers seem to agree oo the causes of the Government's

lacks political legitimacy.

A nation with universal dissidence which has never left the heart of Korean politics, patronised by clumsy Press censorship and petty restrictions on political activity—even ousted President Syngman follows the student syngman sy if many of the serious abuses Rhee in 1960 were followed have been rectified, with the rapidty hy the military's first exception of the continuing ban seizure of power, And it is only on public political activity by kim Dae Jung and Kim Young



President Chun (left) met President Reagan as a close ally in Washington this year but he faces pressure from the U.S. Congress to push towards full democracy in South Korea

got and they haven't," says a foreign banker. The great question now is

unpopularity. As Koreans move whether these open resentments closer to the affluence and self-confidence of the advanced industrialised societies, their resentment increases for a ruler tion and the people. This could who shot his way to power and restore the vicious circle of vicious circle o

too easy to imagine Korea's economic accomplishments be-

riots which led to Gen Chun

Doo Hwan's military coup. Even in the present relatively easy going atmosphere of Seoul taxi drivers will fre-Seoul taxi drivers will frequently roll up their windows when they pass a university campus. Tear gas is a daily hazard as student militants attempt to take to the streets with their demands for democracy now." Battalions of beavily-armed riot police ensure that they do not take a step outside their university grounds.

In spite of the dangers of confrontation, however, there are reasons for optimism about On the other side opposition politicians and student leaders are like impetuous youths; they see no reason why their country should have to wait for full

It is only the introduction of democracy, heavy tinged with personality politics, which separates the Government from the opposition. Personal ambitions and animosities can precipitate willight dispersary. precipitate political disasters and it is possible to understand and it is possible to understand the opposition's fear that the Government will abuse the electoral system to ensure an orderly but meaningless "trans-fer of power" from President Chun to a handpicked successor

with military connections.

Nevertheless, examples CONTINUED ON PAGE &

Economy: Complaints over tight money Economic Planning: Re writing history of a miracle Page 2 Politics: Bold opposition demands change Profile: Kim, Dae Jung Page 3 Trade: Export boom un-likely to lose steam Japan: Relationship in danger China: Changes lead to greater contact North-South: Edging across the great divide The Military: Challenge to army's iron grip Page 5 Financial Liberalisation: Jolt for system Foreign Investment: Outsiders face bias on profit Stock Market: Susp over international The Chaebol: Pressure builds after Kukje crash Antomobiles: On the road

There is almost complete consensus on the basic issues of anti-Communism, pro-U.S. foreign policy, military vigilance against North Korea and the economic system which a presidential adviser describes as "full-hlooded capitalism with Korean-style welfare."

It is only the introduction of something of a democratic process can develop an irresistible momentum once given half a church to deny, after February's election, that President Chun has shown himself to be

Electronics: Shedding low-quality image Page 7

for liberated grannies

Page 8

Olympics: High risks for high stakes Tourism—Cheju: Haven

to exports

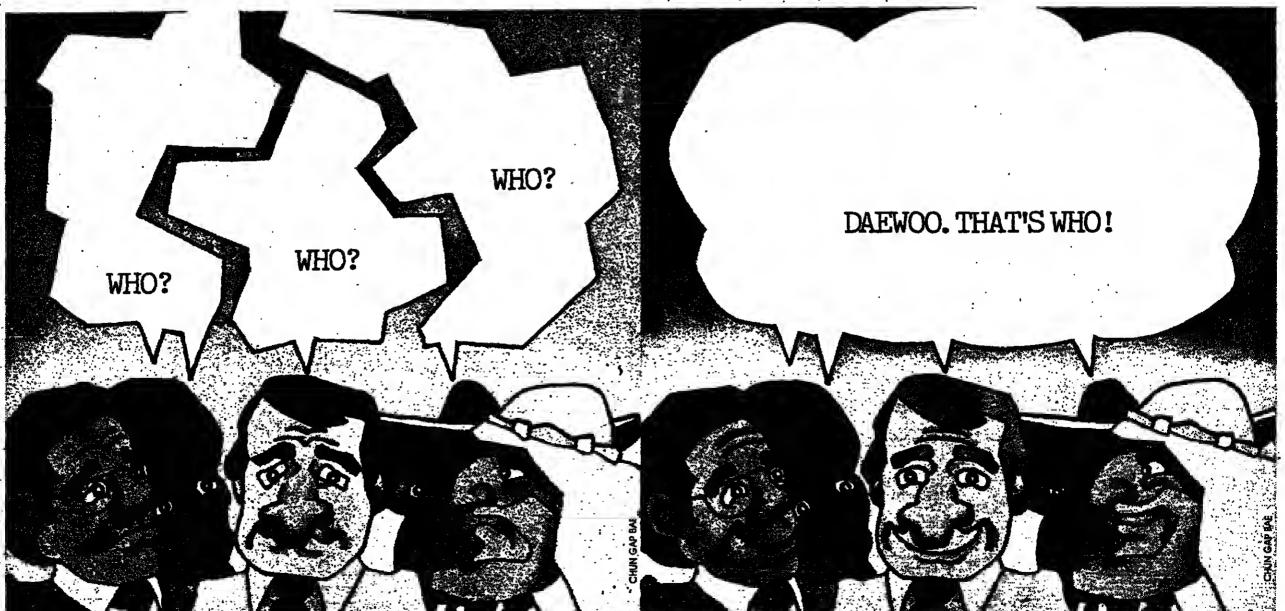
If nothing else, pressure from the U.S. Congress, in no mood for indulgence towards third world dictatorships flood-ing America with cheap imports, should help push the government towards democracy rather than repression,

But political growing pains are not the only problems which Korea faces as it moves towards

# As well as the quality of materials

From trading to textiles, from shipbuilding to auto making, from heavy machinery to high finance, from electronics to telepommunications, Korea's Daewoo has proved its expertise in many areas, and finds itself

a trusted partner of many of the world's top businesses. So, the next time your company asks, "Who can get the job done?" You'll know who.



Yet businessmen's dismay about immediate prospects is almost universal. "Tight money is overkilling the economy," insists Mr Koo Suk Mo, vicepresident of the Federation of Korean Industry, and these words are echoed all over the country, particularly among the big industrialists. In line with government instructions to favour smaller businesses, banks are refusing new credit to giant conglomerates, which are being forced to turn to the unregulated short term paper markets at interest rates of 15 per cent or more in real terms.

Turning to export prospects,

which last year absorbed 36 per and to revised five-year plan year to be the absolute mini- may conflict with the microcent of Korea's \$29.2bn in ex- published by President Chun in ports, is turning sluggish and raising new protectionst bar-riers all the time.

Japan, the second biggest export market spent \$1.2bn more on Korean goods last year than in 1983, but increased its sales to Korea by \$1.4bn, thus widening the yawning bilateral trade deficit which is at the root of Korea's whole balance of naverants arablem. of payments problem.

In Europe, Korean exports are running into real trouble, not only because of protectionism, but because the won, informally pegged to a basket of currencies dominated by the U.S. dollar, has appreciated in value, undermining the competitiveness of Korean goods.

Does all this mean that busi-ess and Government disagree with the Korea Development Institute's official forecast of 6.8 per cent growth in 1985, published earlier this month?

### Growth

Not necessarily; there may be doubts about the precise growth rate, especially if a marked slow down in the U.S. economy reduces world trade growth below the institute's 45 per cent expectation; but the real problem lies in the incredibly ambitious expectations built up over the past two decades.

Since 1960, Korea's growth of 6 to 6.5 per cent a year, and the doubts about the precise growth of 6 to 6.5 per cent a year, and the doubts about the precise growth of a shortfall in sales growth of a population or GNP, although it is much smallar in relations to exports: Korea's ratio of debt service to exports is 19 per cent.

To reconcile the three macro-economic objectives of growth.

To reconcile the three macro-ing to identify 1,000 successful medium-sized firms which will be encouraged to export through preferential access to bank credit, even though the capital growth strategies more assiduously in the capital growt

1983 promised a growth rate of 7.5 per cent a year from 1984 to 1986. The sixth plan, which is now in preparation by the Korean Development Institute,

will aim for a similar growth rate in 1987-91 and Mr Ahn Sung Chul, president of the KDL insists that 7-8 per cent annually is a realistic projection of Korea's long-term growth poten-tial until the end of the

Thus, in the wonderland of Korean economic history, a growth rate of 6.8 per cent, two percentage points below the historic average, is seen as a disappointment, oot a triumph. If even the KDI's forecast is not achieved — and private economists generally expect a growth rate nearer 6 to 6.5 per cent this year—there could be real difficulties for some Korean

Companies with debt-equity ratios of five or more and the slimmest of profit margins bave prospered for years in Korea on rapidly expanding cash flows. A shortfall in sales growth of a few percentage points can easily spell financial disaster to

preventing any significant acceleration of inflation beyond last year's 23 per cent level. Inflation, it is said, is a particular phobia for President Chun, who is convinced that it was at the root of the social unrest which led to Park Chun Hee's assassination

The balance of payments is the third crucial target of government policy. The cur-rent account deficit his a peak of \$5.3bn in 1980 and had been slashed to \$1.4bn by last year. This year it is forecast at \$1bn, This year it is forecast at 51bn, compared with a projection of \$0.6bn published by the Economic Planning Board late last year. The EPB's hopes of a \$0.4b current account surplus by 1986 now look completely unrealistic.

But the current account can-But the current account can-not be allowed to stray too far off target, for in the background there is always the shadow of the country's huge foreign debt. Estimated at \$43.1bn at the end of last year, the debt is bigger than Brazil's, in relation to population or GNP, although it

They are also committed to industrial restructuring and reventing any significant economic liberalisation.

The normal instruments of macroeconomic policy are un-likely to suffice because they create conflicts among the government's basic targets.

Tight monetary policy suppresses inflation but also endangers growth. Devaluation of the won boosts exports but threatens price stability. Fiscal expansion can stimulate domestic growth if export demand is flagging, but it will tend to suck in imports and widen the current account

### Export

This is why statements by Korean officials for all the general rhetoric about economic liberalisation and non-intervention, are peppered with instances of government involvement in every aspect of economic decision making.

The trade balance with Jspan must be improved by "carrying of Korean companies and thus of the capital goods industries, the Bank of Korea reported mystight o

**SSANGYONG FLEET SAILS** 

THE OCEAN SERVING

ITS CLIENTS ACROSS

Ssangvong Shipping Co. first began sailing

Now its networks encompass such major

Tokyo, Hong Kong, Singapore and those

the ocean in 1967 to transport cement

produced by Ssangyong Cement.

world ports as New York, London,

THE GLOBE

rates or tax treatment" in their Although the Government no

longer undertakes explicit industrial targeting, it continues to vet the large conglomerates' activities in certain key industries, including auto production, electronics, shipbuilding and aerospace.

And officials point out proudly that the fiscal boost which is planned for the economy this year, will be carefully targeted to maximise its income on growth and minimise costs to the balance of payments.

In principle, of course, there are some very liberal economic policies which the government could try using instead to help reconcile its diverse objectives. Dergulatiog financial markets, for instance, should help in-crease the savings ratio and bence improve the balance of payments. Opening the stock market to foreign portfolio in-vestment of the licin to finance the current account and reduce the lung: ,..., as well as improving financial structures

### **Key economic indicators**

G	GROWTH RATES (%)				
	1960-70	1970-82	1983	1984	1985
Real GNP	8.6	8.6	9.5	7.6	6.8
Export volume	34.7	29.2	13.8	15.6	88
Manufacturing output	17.6	14.5	16.9	14.6	14+
Population	2.6	2.3	1.6	1.5	. 1.5
Consumer prices	12.2*	15.9	3.4	2.3	2-3
Wages	20.7	24.6	12.2	8.1	61
Real wages	13.0*	8.7	8.8	- 5.8	21
Productivity		. 10.3	12.5	- 8.8	
	END OF	PERIO	D .		
GNP per capita (\$)	248	1.800	1.884	1,998	2,139
Amenal wages (S)	542	4 832	4.224	4 428	

Man'f'ctures (% of GNP) . 21 1965-70. + Wharton Econometrics.

19+

# Far from the ideal free market model

Economic planning ANATOLE KALETSKY

Current account (Shm) -0.6

External debt (\$bn)

Experts (% of GNP)

Debt service ratio

FOR NEARLY two decades, the history of South Korea's economic miracle has been continuously rewritten to suit the fluctuating intellectual fashions in the U.S. and Europe. A recent World Bank paper des-cribes it as "a process of selec-tive enhancement and indicious editing."

Economists downplay what another World Bank report in 1983 called the "strong partnership between government and the private sector, which is perhaps the most striking similarity between the systems of management in Korea and Japan." Instead they say government spending absorbs a government spending absorbs a the chaebols directly on which lower proportion of GNP in both Korea and Japan (about 19 per and which they will have to cent) than in almost any other spandon.

country.

They say Korea has oriented its economy towards exports. instead of protecting inemclent domestic industries. Korea's businessmen are praised for will be many years before any responding rapidly and heribly of the key economic sectors to the discipline of competitive bear much resemblance to a market forces. And Korean labour is lauded for its industry, lack of militancy and willing.

Even Korea's labour market businessment are praised for responding rapidly and ficility to the discipline of competitive All these generalisations are valld, yet each disguises as much as it reveals about the

Korean miracle. The government officials who work for the Economic Planning Board may no longer be regar-ded as heroes of the Korean miracle, but the EPB remains the single most important organ of government. It is represented in the cabinet by the deputy prime minister and has a direct input into all decision-making by other ministries. Although most EPB officials support moves towards financial liberali-sation and the decentralisation of economic decision-making, they make few apologies for the EPB's interventionist past.

The first three five-year plans (from 1962 to 1976) succeeded in attaining or beating their main targets and are accepted in Korea as the foundations for economic success. It was only as the fourth five-year plan ran into the ground in 1979-80 against the background of the second oil crisis, rising inflation and political unrest connected with President Park Chung Hee'a assasination, that many officials became

Even after the "liberal" faction within the EPB won wholehearted backing for more market-oriented policies from President Chun Dae-Hwan, Korean economic policy in the 1983 revision of the current (fifth) five-year plan is a far cry from what is understood by laissez-faire economics in Europe and the U.S. — to say nothing of countries like Chile.

### **Protectionist**

Korea is so far from the ideal free market model that even the Governmeot's desire to "liberalise" the country's trading and industrial structure will involve so much interventionism that it will remain a planned economy for the fore-secable future.

disce inheritance taxes like they have in Japan, we will eventually have the same distribution as more import substitution, as well as exports. Today the watchword is trade liberalisation, but the Government continues to play an intensive part in export promotion, allocation of markets and export products among tradiog companies, and the protection of strategic or "infant" judgets in the successful Far Eastern economic miracles were never hijacked by the vested interests and small political elites which are so familiar in countries like Brezil. Mexico and the Philippines, to say nothing of black Africa. In Korea, Tarwan and Japan there were no monopolies over land natural resources or

"commanding heights" of the economy. Nine of the chaebois account for more than half of Korea's exports. Within the chaebols cross-subsidisation is rife between profitable divisions and those which make losses. "Korean managers don't give much emphasis to profits; they want to be number one

40.4

19†

43.1

197

in size, not number one in profits," said Mr Koo Suk Mo. chief economist of the Federa-tion of Korean Industry, with apparent approval.
The Government believes this

economic giantism to be dangerous and unnealthy as Korea's economy becomes more complex. To force the chaeboas to contract it has imposed detailed and onerous lending regulations on the "liberalised" financial system designed to

**Profits** 

In any case, the dominance of the chaebols is such that it

is a far cry from a textbook competitive model. There may be no disputing the industrious-ness of Korean workers, and even in a freer political environment most businessmen believe that trade union militancy would not be a serious problem.

"I've met people here who worked 60 bours a week for three months without taking any wages, because their com-

three months without taking any wages, because their company was in trouble," says an incredulous British banker.

But profits have persistently been modest by international standards. Operating profits have averaged 10.1 per cent of total assets employed in Korean manufacturing between 1974 and 1983, and net profits after financial expenses have averaged 3.1 per cent of assets.

Wages, on the other hand, have grown by 7.5 per cent a year in real terms since 1971, slightly higher than the rate of productivity.

slightly higher than the rate of productivity.

More importantly, Korea has had an exceptionally equal distribution of income ever since the land reform of 1946 broke up large private landholdings. In 1962, average salaries for administrators and managers were only 2.5 per cent higher than average wage and salaries in the whole economy. During the mid-1970s this measure of income inequality had briefly widened to a ratio of 3.4, and it is one of President Chun's proudest boasts that he of 5.4, and it is one of President Chun's proudest boasts that he bad narrowed the income distri-bution back to its structure of the late 1960s.

the late 1960s.

This has been achieved through a combination of egalitarian tradtions, moral "persuasion" from the government and, most importantly, "the good fortune that our society was completely levelled after the War," a senior economic planner says.

the War," a senior economic planner says.

But dangers may lie ahead now that the first generation of the Korean miracle is giving way to the second," he says.

"Unless we decide to introduce inheritance taxes like they have in Japan, we will eventually have the same distribution problems as America and Europe."

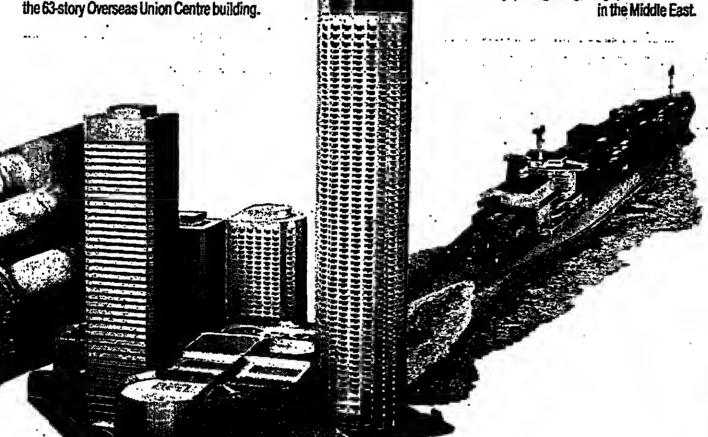
Therein lies the clear lesson which can be drawn from all the successful Far Eastern economics. Somehow their

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panies, and the protection of strategic or "infant" Japan there were no monopolies over land, natural resources or even education to create vested interests before the economic takeoff started.

As Mrs Anne Krueger, the World Bank's chief economist and a leading scholar on Korea points out: "The lucky cointries are the ones with no resources."

Paster lead

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# Bold opposition demands change

**Politics** RICHARD COWPER

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WHIRLWIND SERIES of developments culminating in what many have interpreted as a stunning electoral success in February for the country's newly-formed opposition party has brought about a remarkable transformation of the South Korean political scene.

Mr Chun Doo Hwan, who has three more years to run as president, still retains firm con-trol over the levers of power trol over the levers of power under a constitution which prevents a full measure of democracy. But for the first time since he selzed power in a 1979 military coup President Chun has allowed a significant relaxation of the heavy hand of

A bold and sizeable opposition, fundamentally opposed to military rule and the constitution has been allowed to win a place in the National Assembly because of the most free and fair elections in South The coming months may prove vital in deciding whether President Chun's unexpected "liberalisation" experiment is destined for success or failure. Neither the Government nor the

military expected such a strong showing from the opposition, nor that so many of the population should have made it so clear the regime and poli
so clear

tical programme was unpopular.
The traditional forces of authority, notably a small but influential group of herdline military and ex-military officers, appear increasingly alarmed at what they see as a president losing his grip. They seem to be regrouping for battle with an opposition in no mood to go back on its call for a revision of the constitution and a clearcut programme for democrecy.

Demonstrate

Many hope a showdown can be avoided. In a country ruled by military strongmen since 1961, few doubt the winner would be the military. Most Koreans would probably like to see President Chun and the opposition agree to a compro-mise which would neutralise the hardline elements on both sides and allow the experiment su undependent opposition party—the New Korea Democratic country has moved a compara Party. The New Korea Democratic Party. Th

the country with an iron grip.
The National Assembly was a

But in 1984 the President launched e gradual programme of "liberalisation." It was at overcoming his poor image abroad on human rights and securing international recognition for moderation in the 1985 National Assembly election This was an important mid-term test of the success and popularity of his seven-year

Amongst the measures implemented in 1984 were: The ban on all but 14 of 301

opposition politicians was lifted. Riot police were withdrawn from university campuses and students allowed to demonstrate

Stringent Press controls were relaxed to allow constreined reporting of strikes, demonstra-tions and opposition attacks on • The formation was allowed of an independent opposition party

President Chun had not changed from eutocrat to democrat avernight. But he seems to rubber stamp, opposition figures were banned and Kim Dae Jung, the most famous opposition leader, was banished to the U.S.

more mature political system in

But as the election approached things seemed to go badly wrong. What bad started as a cautious experiment in liberalisation took on a life of its own. Students demonstrated in record numbers and tear gas was a daily fact of life on the streets of Seoul.

The North Korea Democratic

Party formed by Korea's two most famous opposition politicians—Kim Young Sam and Kim Dae Jung—united those opposed to President Chun.

opposed to President Chun.
Six days before the election
the almost unthinkable happened when Kim Dae Juog,
President Chun's almost implacable opponent, was allowed
to return home, though without
his full rights being restored. To the surprise of a nation unused to much freedom, the NKDP condemned the govern-ment as authoritarian and lacking legitimacy. It offered few alternetives in foreign or economic policy but the opposi-tion's demend for revision of

toration of democracy struck a

the constitution and quick res-

per cent for the Government's

measure giving the party receiving the highest vote a large honus of seats meent the a country which has never ex-perienced a peaceful transfer DJP had a clear majority in the National Assembly. outcome, however, wes widely interpreted as a major victory for the NKDP, a rebuke for President Chun and a call for more democratic government It shocked the militery, the

government and President Chun, who quickly reshuffled his caboet and appointed Roh Tae Woo, a hardline retired general and friend to head the DJP. Rob Tae Woo is being seen as a potential successor to President Chun.

These moves failed to stop the mood for change. In the last few months more than three-quarters of the assembly-meo from e bitherto compliant Democratic Korea Party, which won 20 per cent of the vote in the election, have defected to the NKDP. With other deser-tions the NKDP now represents about 50 per cent of the olec-

The opposition is calling for President Chun to resign before his term expires in early 1988, and demanding a direct elec-The constitution provides for a responsive chord.

The NKDP swept to victory in a president to be appointed through a 5,000-strong electoral



opposition supporter in a demonstration at the return from exile of Kim Dae Jung Police struggle with an

collego. The opposition claims step down in 1988 to ensure a that the system can be manipuled by the government. said he would "neither lengthen leted by the government.
The NKDF is also demanding

speedy release of more than 100 political prisoners, and a pardon for Kim Dao Jung, who still theoretically faces a sentence of 17 years in prison for

The Covernment feels it has gono far onough and is digging in. Opposition demands have been rejected and President Chun, who has promised to

nor shorten his term by one day." Ho also ruled out any change of the constitution before 1988.

Some opposition members have werned privately that if the Government refuses to budge there may, in the words of Kim Young Sam, be a "big uprising." This may provoke a

over again.

The hope is for an acceptable compromise, possibly ensuring a peaceful transition of power in 1988 to a retired military officer with a more civilian outlook who would create a more

south Korea might yet be able to break out of the remorseless cyclo of liberalisation, confrontation and crack-down that for 38 years has bedevilled attempts to develop a more mature political system. which would be tempted to take a more mature political system



Dissident leaders Kim Dae Jung (left) and Kim Young Sam meet for the first time in five years after a ban on political activity was lifted

PROFILE: KIM DAE JUNG

### **Doubts shadow** rebel leader

defender of the poor and oppressed; the liberal con-science of Korea back from to lead his country along the path of true democracy after more than two decades of un-bending military autocracy. Others believe he is a dangerous radical guilty of attempting to everthrow the government; a demagogue, and potential martyr who will stop at nothing to become the next leader of South Korea.

Kim Dae Jung is hated hy the military and loved hy students and followers, particularly from his ewn sonth Cholla province. Such are the conflicting views and emo-tions aroused by Korea's most well-known opposition politi-cian that it is not easy to uncover the real man behind his public masks.

'He is essentially an opposition politician who thrives on conflict in a society where that is unacceptable '

Kim comes over as an ambitious, hrave, long-suffering liberal democrat who believes the time is ripe for the military to hand over to a demo-cratically-elected civilian government. The success of the opposition in February's gen-

opposition in February's general election "clearly showed that the people are totally dissatisfied with the military dictatorship," he says.

If President Chan does not pave the way for a true restoration of democracy then Korean society would become polarised, "there will be a ferious cleak hoteren and serious clash between our young people and the mili-tary, and Korean democrats will lose our base for ever."

Kim Dae Jung believes that the U.S., as a key player and an important ally, has a duty to use its power and influence to secure a restoration of

emocracy.
"They were quick te back Chun after he seized power, but such a policy is fraught with danger," he says. "In the interests of security, the U.S. has supported military regimes appropriate and fulfill in the country has been supported military regimes appropriate and fulfill fulfill." regimes everywhere—in Cuba, in Vietnam—and everywhere they have lost. If the State Dopartment wants to avoid a repeat of the Philippines, now is the time to act"

President Chun should move quickly to release remaining political prisoners, restore civil rights and amend the constitution to allow a direct election of the presiIf elected, Kim Dae Jung would grant a real measure of autonomy to local govern-ment, guarantee the rights of as, and adopt a free market economic policy which distributed the fruits of development more equitably and ensured a social justice

for all. .. He would make a concerted effort to open a dialogue with North Korea, seek a greater improvement in relations with Moscow and Peking and instigate closer co-operation with the Third World.

When the situation was ripe, he could seek 'a gradual build-down of U.S. troops in Kores," he says.

These hardly seem the ideas of a dangerous left-wing radical. But in a country where communism is regarded as an unspeakable evil and where right-wing authoritarwhere right-wing accounts in ism has been the norm in government fer so long, it is bardly surprising that they instil fear into the hearts of the establishment.

Outside his solid group of supporters, many would-be democrats find it difficult not express admiration for to express admiration for Kim. He nearly won the 1971 election; he has been kid-napped by Korean intelligence; was in and out of prison for 14 years; sentenced to death; banished abroad and

to dearn; samsned arrows and is still fighting.
But they fear he may not be the best man to lead South Korea safely on to the difficult road of democracy.

enit road of democracy.

An American-educated professor says: "He is essentially an epposition politician who thrives on conflict in a society where that is still basically unacceptable. After all his experiences, he does not seem the experience of amountains. to be capable of compromise.
"I have serious doubts

whether he can secure a stable transition to democracy, uniting the country behind him." If the military remained

neutral, if there was a free and fair election in 1988, and if the opposition united be-hind him, Kim Dae Jung might just come out on top. But there are just too many ifs. Few analysis seem to dispute the view that the charismatic Kim has little or no chance of becoming South Korea's president.

In the words of a former U.S. ambassador to Korea: The military and the government practically hafe him, business distrusts him, the U.S. is uncomfortable with him and the opposition is hardly united hehind him. Against a line-up like that yeu can draw your own con-

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Trade RICHARD COWPER

SOUTH KOREAN exporters and economic planners like to portray themselves as being buffeted by a riging tide of protectionism in key markets, and by a growing wave of new low-cost producers.

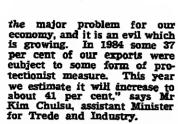
This vision of an embattled export economy struggling successfully to increase beadway on the stormy seas of inter-national trade is not inaccurate. In textiles, the country's top export (accounting for 23 per cent of 1984 exports of \$29.3bn), China is beginning to pose a challenge in traditional markets.

Last year more than a dozen anti-dumping charges and duty actions were taken against Korean exporters in the U.S. the most notable in steel and TVa. Seoul eventually egreed to limit shipments of finished steel to 1.9 per cent of the U.S. market, while three Korcan TV manufacturers were forced to

manufacturers were forced to pay an average of 12 per cent in penalty duties on exports they bad mede.

The Ministry of Trade says there are "unfair trade practice cases" still pending on oil rigs, footwear, photographic albums and pianos.

In Japan, Korea cleims it faces tariff duties of double the average rate on products where It feels it has a cleer compara-tive advantege—something un-likely to be chenged because of Tokyo's efforts to comply with U.S. demends for a more open



If the past is any guide, bowever, there is little evidence that either protectionism or competition from new low-cost producers will stop the South Korean export juggernaut.

Ever since President Park Chung Hee took the flagging Korean economy by the scruff of its neck in the mid-1960s, the motto of the country's business leaders and economic planners has been 'export or die'. With a comparatively small domestic market, Korea adopted a strategy of borrowing abroed to finance its industrial growth and then proceeded to export

and then proceeded to export successfully a major proportion of the output.

Starting with textiles, plywood and footwear in the 1960s and then shifting to chemicals, shipbuilding, mac's linery and steel in the late 1970s, Korean exports bave expanded by more than 30 per cent a year on average since 1963. This bas catapulted Korea from a poor developing country to one with upper

middle-income atatus in just over two decedes. Such an export-led atrategy is not without risks. The country the figures may have been unhas one of the highest foreign debts in the world. Its dependence on exports for economic growth growth (last year two-way trade of \$53.6bn accounted for 66 per cent of GNP) makes it market. particularly vulnerable to new export products, notably "Protectionism has become changing external circum- cars and video cassette recor-

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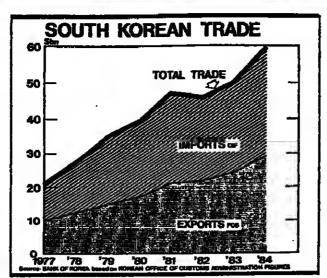
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Pessimists say a combination market for the first time in of misguided new investments, larger numbers. renewed recession in the West, strong competition from new entrants and a further rapid increase in protectionism could

still came out flying.

Electronics

year Korea's Ministry for Trade is forecasting further growth of about 13 per cent to \$33bn.

Some believe that a poor per-

formance in the first quarter when exports were down 8 per

cent to \$5.8bn over the same period in 1984, means that this

target is unattainable. But a

complex mix of statistical reasons and special circum-

atances seems to indicate that

Steel, textiles, footwear and ship exports have already picked up and according to the Trade Ministry are now exceed-

ing last year's levels. Relatively

bring the Korean export engine to e grinding halt. Most Korean economists disagree. A major recession is not in sight and they point out that energy-dependent South Korea sur-vived two oil sbocks and the worst recession for 45 years and Last year, for example, exports grew 20 per cent to \$29.3bn at e time when world trade grew by 10 per cent. This

"At the bottom end of the world TV market, Korea le already e force to be reckoned with. Now it may be set to re-

tendency to rush beadlong into markets without sufficient pro-duct expertise or solid indement denial of advanced technology

The Government admits that cut Japanese dominance of Korean exporters are often short certain high-technology markets. on marketing, but argues that Japan's preoccupation with the protectionism and the reluc- "boomerang effect" is cited tance of industrialised countries to part with high technology are the main causes of the slower rate of return in such

Korea bas responded to protectionism in the U.S. and Japan by attempting to diversify mar-

Korea is prepared to go in liberalisation. The Government claims that some 83 per cent of internationally classified import items are given automatic import port approval. But on a weighted import value basis, it is clearly a much lower figure.

ders, are also coming on the

Barring unforeseen circumstances, few believe that Korea's export drive is likely to veer far

Two new strategic export in-dustries in the making are elec-tronics, and automobiles and parts. Last year electronics was parts. Last year electronics was the country's star performer with record export sales of \$3.2bn—up 32 per cant on 1983. Analysis say exports may tonch \$4bn this year.

peat its success with VCRs, and in the not too distant future with personal computers and microchips," says one econo-

Last year—much to its sur-prise—Korea exported 52,000 cars, half to Canada. This year it hopes to sell up to 100,000, and by the end of the decade it plans to be producing L3m cars a year, of which 600,000 would be sold abroad. In spite of links with Mitsubishi and General Motors, many believe this may be considerably over-

tion. With the exception of construction exports to the Middle East—a still large but rapidly declining market—diversification has met with limited success. Japan and the U.S. still account for about half two-way Korean trade.

The dispatch of the diplomatic takeover in 1949. The d Korean trade.

Nor is it clear bow far South

Interaction with two dominant neighbour states is changing

# Symbiotic relationship in danger

Japan ANATOLE KALETSKY

IN SPITE of the personal ani-mosities bred by 50 years of sometimes brutal Japanese occu-pation, most Koreans acknowledge that Japan has provided both inspiration and material support for their country's modernisation. In many ways Koree bas followed Japan's corporatist model of industrial development in its own economic planning and it has benefited enormously from flows of trade, investment, and technology across the Sea of Japan. Jepan too bas profited from this economic interaction, ever since the Korean War gave the first big external boost to Japan's engineering, textile and food industries.
This symblotic relationship has

now run into danger. Today, resentment about Japan'e evergrowing trade surpluses, its technological dominance, and its protectionist practices is every bit as fierce in Seoul as it is in Washington or Detroit. If the strains continue to worsen, they could eventually lead to significant changes in Korea's trading patterns, as its insati-able requirements for foreign technology and capital equip-ment shift from Jepanese manufacturers towards their American and European rivals.

### Boomerang

Korea'e complaints about Japan are twofold. First, its bilateral trade deficit with Japan is now so enormous, at \$3.1bn in 1984, that it threatens Korea's ability to service its international debts and contri-Some analysts fear that international debts and contri-Korean exporters may get their butes indirectly to protectionist fingers badly burnt because of a frictions with the U.S. and other trading partners. Secondly, there is Japan's

as to whet the market will bear. to Korean manufacturers, Critics point to Kores's high-allegedly for fear of the so-Critics point to Kores's high-cost investment programmes in cars, microchips and to a lesser extent shipbuilding.

Korean manufacturers, allegedly for fear of the so-called "boomerang effect"— the possibility that low-cost Korean competition. again and again by Korean businessmen as a growing impediment to co-operation

between the two countries.

Because the Japanese relationship has been so crucial to Korea's economic development, any serious measures to redress these grievances could mean hig upheavals for Korean manufactures.

of its inward technology transfers and from 37 to 50 per cent

of its capital goods imports.

For many years this extraordinary dependence on Japan
worked in Korea's favour. Korea benefited both from the quality of Jspan's equipment and from the marketing acumen and ontstanding production manage

pay for these benefits during most of the 1960s and 1970s. But in 1982 the Third World debt crisis suddenly undercut Korea'e ability to finance its trade deficits through foreign borrowing. In the frantic effort to narrow deficits, Japan became a natural scapegoat — natural because 83 per cent of Korea'e total worldwide trade deficit of \$51.9bn between 1975 and 1983 could be attributed to the \$43.1bn bileteral deficit with

Japan. In 1984, while trade with nearly every other country moved in Korea's favour, the trade deficit with Jepan widened by another 10 per cent to \$3.1bn, so that Japan now eccounts for much more than the whole of Korea's worldwide trade imbalance.

In fact, Korean officials point out that a reduction by just one-third in the Korean-Japanese trade gap would be sufficient to bring Korea's total international trade into complete balance. Even more significantly, they note that the trade deficit of \$3.1bn with Japan closely matches Korea'e \$3.8bn surplus with the U.S., which is generating increasing resentment in Washington.

The "chronic trade deficit concentrated in just one country has created a deep im-balance in our trade with other export markets, especially America," says Mr Park Oon-Sah, Director General for International Trade. If Japan were initial shipment bad amounted to the real origins of tech to buy more Korean goods, to no more than 0.3 per cent of —but our businessment bad amounted to the real origins of tech to buy more consumption, but when want to buy Japanese."

The big bilateral trade deficits belp to dissipate the protec-which resulted from the imports tionist forces in Washington, of Jepanese capital goods which are seen as the biggest seemed an acceptable price to single threat to Korea's economic future.

Thus cutting the deficit with Japan has become e top priority for Korean economic management and diplomacy. So far, Korean officials are disappointed

Voluntary .

Korea's exports to Japan are skewed towards fishing and agri-cultural commodities and light industrial products, such as textiles and footwear, which are protected by unusually high tariffs. This means that Korean exporters face e tariff rete double the Japanese averege, and considerably higher than in Europe and America. Furthermore Japan regards as "sensi-tive" numerous products in which Korea's comparative advantage is particularly strong. so that about half of Korea's exports to Japan are subject to direct or indirect quantitative

Korea has submitted e list of 32 items, ranging from silk and ginseng products to footwear and cement, requesting the removal of non-tariff barriers, but there has been little beadway

so far. Mr Park gives an exasperating, but characteristic, example. When Korean cement manufacturers started exporting to Japan in November last year, Jepanese officials arrived in Seoul within days of the first chipment landing. They de-manded a voluntary selfrestraint agreement. Korea's initial shipment bad amounted to the real origins of technology

the Korean industry rejected "voluntary" restraint, all ment which came with Jepanese more from America and relax the Korean industry rejected direct investment and joint its export drive to the U.S. "voluntary" restraint, all ventures.

That, in turn, might orders from Japanese whole. abruptly and mysteriously cancelled.

The lesson which many

Koreans are drawing from such experiences is that their industry will have to lower drastic. ally its dependence on Japanese capital goods, if inroads are to be made into the \$3hn trade deficit with Japan.

In theory this could create big . opportunities for equipment manufacturers in America and Europe, since heavy industrial products account for 80 per products account for an per cent of Korea's imports from Japan. Jepan's refusal to supply advanced machinery for fear of the "boomerang effect" should further enhance these opport-unities for other nations. In practice, however, Jepan's inherent edvantages in the Korean market remain formid eble. The cultural and lin-guistic affinities between the

countries and their geo-graphical proximity seem by far to outweigh the his-toric animosity between the two nations. Japan's network of direct investments and joint kets for Japanese products. Also mentioned with extraordinary regularity by Korean businessmen there is the "fantastic after-sales service" offered by Japanese capital goods manufac-

Such factors can all too easily overwheim "the government's efforts to encourage diversifica-tion of import sources," accordby importing from America and Europe we could reduce our chronic trade deficits and get

# Strategic changes lead to greater contact

China

RICHARD COWPER

LAST MONTH Seoul sent two diplomats to attend a United Nations seminar in Peking It was the first time that a Korean

dent over a Chinese torpedo boat which drifted into South Korean waters following a mutiny in which six sailors were

A few years ago Seoul would have been tempted to make propaganda out of the incident, and may have encouraged potential defectors by offering them a free ticket to Taiwan. But in splte of reports that some of the crewmen may have been trying to defect, Taiwanese officials were refused access and the boat and its crew were turned over to the Chinese in

international weters.

Many view the bandling of the incident as further evidence that Seoul would be ready to that Seoul would be ready to dump Taiwan, its old friend and long-time diplomatic partner, in favour of China. No-one believes, however, that these recent moves berald a breakthrough to a quick resumption of diplometic relations.

The overwbelming stumbling block is China's reluctance to

The overwhelming stumbling block is China's reinctance to make any move which might push North Korea into the arms of the Soviet Union, and few doubt that normalising relations with Seoul would do that.

Nevertheless, given three decades of undisguised and unremitting hostility between China and South Korea following Peking'e military support

ing Peking'e military support for Pyongyang in the Korean wer, the growing warmth of the relationship over the last two years has been heady.

Legitimacy

Since May 1983, when the hijacking of a Chinese airliner led to negotiations between Seoul and Peking officials, there have been e growing number of contacts between a contacts between a contacts between the contacts and contacts between the contacts and contacts are contacts. sportsmen, businessmen.

businessmen.

Han Woo Suk, South Korea'e assistant Minister for foreign affairs, cltes four main reasons for Seoul's change of beart

The desira to encourage Peking to use its influence to prevent North Korea engaging in adventurist military activity;

South Korea's drive for South Korea's drive for wider international recognition

wider international recognition and legitimecy;

The desire to persuade a major power to attiend the Seoul Asian and Olympic games.
The bope that China's geographical proximity and size will make it a major trading will make it a major trading Dartner.

For its part, China seems keen to promote a reduction in tension on the peninsula to allow it to carry on undisturbed with its four modernisations Peking also may see South Korea as an important source of intermediate goods and tech-nology as well as an ideal foil to help prevent overdependence

on Japan.

Above all, the growing proximity of interest between tha U.S. and China has changed the

strategic picture in North-east have been a small amount of Asia to the point where the direct trade between the two 40,000 or so. U.S. troops in countries since 1983, mostly of South Korea are no longer seen as a threat by Peking, but more diplomat says. "Neither South a guarantee of regional stability. Korea nor China wants to The issue of U.S. troops on broadcast it, but from last year South Korean soil therefore is that has no longer been a small amount of the two the same of t

relations between the two has been a phenomenal growth in trade. Accurate statistics are been a phenomenal grown in trade. Accurate statistics are hard to come by but according to diplomats, two-way trade between China and South Korea more than doubled last year from about \$285m in 1983 to more than \$600m. This year, they expect it to grow to about \$850m. Some estimates put two way trade for 1984 as high as

The largest proportion is indirect, most of it going through Hong Kong, Tokyo and Singapore. Hong Kong government statistics show transit trade through the colony grew from \$160m in 1983 to \$345m last year. Other estimates put it as high as \$600m. high as \$600m.

way trade for 1984 as high as

According to official statistics According to official statistics Chinese exports through Hong Kong totalled \$185m, of which \$107m were rew materials and chemicals and \$63m were textile yarn and fabrics. Chinese imports through the colony totalled \$160m of which \$99m were yarns and fabrics and \$35m were TVs and electrical machinery. trical machinery.

There is also understood to

that has no longer been a no longer a possible point of problem. Chinese ships have contention between Seoul and made calls in Korea and vice-

23.5 -- ...

-

The Militar

est and fastest growing con-glomerates. There is now. growing expectation that a South Korean company may be close to making a direct invest-ment in China, possibly in con-

Three years ago, trade and business contacts on such a scale would have been unthinkable, but where all this will-lead is uncertain. Seoul and Peking are interested in expanding their political and economic ties, but China has to tread carefully. If its firtation with Seoul looks as if it is going to push North Korea into the arms of the Soviet Union, it will be quick to sacrifice its new amity with the South. able, but where all this will

One U.S. diplomat says: "I One U.S. diplomat says: "I see no immediate opportunity for opening diplomatic relations. The reletionship between Peking and Seoul is cordial and expanding, but it remains unofficial — almost covert." Both sides accept that a breakthrough is likely to come only after a substantial improvement in relations between North and South Korea. For the moment, that looks a long the moment, that looks a long



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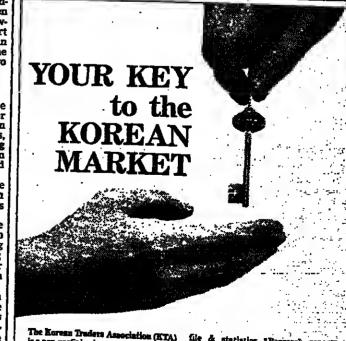
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In paving the way for an army Brig Brian Burditt, the transfer of power might take sway — and it is they after all return to barracks, leaving British military attache, says: place in a relatively democratic who call the shots.

# Edging across great divide

North-South

RICHARD COWPER

THIRTY-TWO years after a ceasefire ended one of the bloodiest military struggles since World War Two-at least 3m were killed or maimed in three years—North and South Korea are still technically at

Over the last year or so, however, thera have been signs of thaw in relations between Pyongyang and Seoul. A few hope that the sides may be finally edging towards some kind of compromise which would lead to a settlement.

At first glance it is difficult to perceive any improvement. Two of the world's largest stand-ing armies totalling more than 1.4m still face each other across 2 151-mile border that bristles with gun emplacements, mis-siles, tanks, minefields and

some 40,000 U.S. troops are in the South, and with Peking. Vladivostok and Tokyo just 500 miles or so away, the inaptly named demilitarised zone that splits the Korean peninsula at the 38th parallel remains one of the world's most dangerous fizshpoints.

In spite of a common language

and more than 1,000 years of history as a united nation, the heavily fortified border between North and South Korea repre-sents a social, political and ideo-logical divide so deep that the two msin combatants are still nowhere near signing a formal peace treaty, and officially do not recognise each other's

In the last decade, both sides

bave more than doubled their aircraft, tanks, artillery and naval vessels and continued to expand the strength of their armed forces. To the north, kim Il Sung, the communist world's longest serving ruler and the man responsible for starting the Korean war, runs a starting the Korean war, runs a xenophoble marxist regime that is still not recognised by most industrialised nations. In the South, President Chun and the military, backed by the U.S., preside over a fast-growing economy that has become one of the darlings of the capitalist

Against this background, almost everyone was taken by surprise last September when some 700 North Korean military trucks rolled across the border to deliver relief aid to the south following a flood This disaster

disaster.

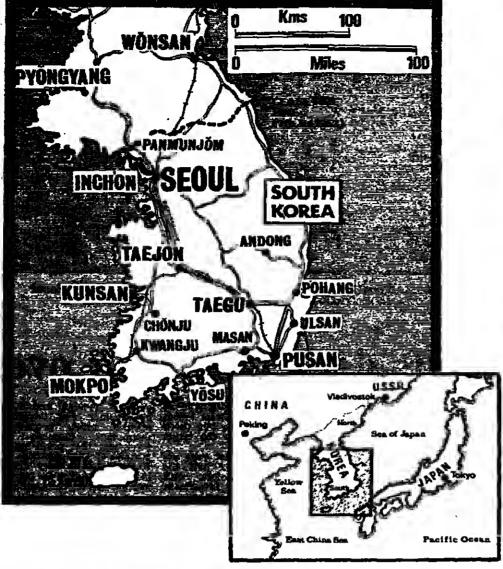
"It may be the most significant development since the signing of the armistice in 1953," says Brig Brian Borditt, a British officer who has spent several years an Korea attending irregular and mostly futile Armistice Commission meetings of the armistice attending power is beginning to pay off. It also wants to his son Kim Jong's main concern to his son Kim Jong Pil now seems to have secured the blessing of both Peking and Moscow itself time to overtake the North. ing irregular and mostly futile Armistice Commission meetings at Pannumjom, the only neutral spot on the DMZ where officers can meet to discuss border

But the offer, acceptance and dispatch of North Korean rice, cement and medical supplies the same size.

seemed momentarily to have through years of hatred.

distrust and division that often while the South is spending

The flood relief was followed in November by the first talks on economic co-operation, and



on family unification after 13 Neither meeting produced concrete results, but at least the two sides had started talking. After a number of false starts, Seoul and Pyongyang are set to resume meetings this

month. Diplomats, government Diplomats, government officials and intelligence specialists are divided as to wby the talks have taken place, and are even less sure where they might lead. They are particularly uncertain about the motives of Kim Il Sung — whose driving force over the last 40 years bas been to achieve a unification of the peninsula under his rule. the peninsula under his rule.

The South is probably keen. itself time to overtake the North in modern military equipment; and to turn China into a major

trading partner.

The north is worried that the initially as another ploy in a long-running propaganda war.
But the offer, accentance and in the north is worried that the south's economy is surging ahead and is now at least four times as large as that of the south is worried that the south's economy is surging an another ploy in a long-running propaganda war. the two economies were roughly

a resumption of Red Cross talks likely in the next five years or up his greatest ambition -

so. Unless Kim II Sung was pre-pared to trade the use of a warm-water port with the Soviet Union for a boost in military supplies there seems little be can do to stop this happening.

Neither China nor the Soviet Union, Pyongyang's two main to destabilise the Sot allies, would be prepared to hack the North in any military

The optimists are:

the peninsula by bolding talks

Most analysis agree, however, with the South.

None of the big powers is interested in unification of the

tant foreign policy objective of the last decade.

sharply. Pessimists who in clude most South Koreans and a significant portion of U.S. military intelligence analysts, maintain that a man who started the Korean war, ordered the assassination of President Park in 1968, built tunnels under the DMZ at a time when he made a peace initiative, and most recently ordered North Korean Rangers to assassinate Presibetween 6 per cent and 8 per recently ordered North Korean and a real dialogue has yet to cent. The North still has military superiority but the gap is closing fast and parity is of bis cabinet, is not one to give links between North and South,

seventh largest standing army,

which continues to see itself as the elite guardian of society, a role underpianed by the threat from 800,000 bostile

North Korean troops just 50

many doubt whether the army

is prepared to risk the creation

of a truly civilian government which might/be unsympathetic

to its interests,
"There is no significant

element in the army at the top

level which would like to see a full play of democracy. Nn

one is prepared to take such a chance," says one Seoul diplo-

The North needs to do a lot more to show that it means business," says Han Woo Suk, South Korea's assistant Mioister for Foreign Affairs. "We still fear that their real intention is to destabilise the South and

The optimists argue that Pyongyang may have seen that it is losing the economic and military battle so vital for securing begemony over the south, and is now prepared to undertake a sharp change of course by defusing tension through talks and concentrating on improving its economy.

They point to Pyongyang's announcement last year of a joint venture law aimed at attracting foreign trade and in vestment and expect that in the next year or so the two sides will agree to some form of barter trade, a possible opening of rail links and perhaps agreement on communication between divided families.

ing talks is anyone's guess. Mr Jorgen Holm, ambassador of Denmark, the only EEC country After that opinion divides to recognise Pyongyang says: "In Europe the two Germanys have been talking for more than 15 years, and today trains and people move across the ideological divide. An armed clash between them is virtually un-

thinkable.

"Here that's not so. This bas been one of the most on gerous flashpoints in the world.

manner. But should the outcome

# No Year of AND

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## Challenge to iron grip of army

### The Military RICHARD COWPER

TO BREAK with tradition is not easy. To relinquish power is perhaps even more difficult. The South Korean army, which for well over two decades has played a pivotal role in politics, business and society is facing

such a challenge.

As the country moves towards presidential elections in 1988 and continues to evolve a more complex and sophisticated continues to evolve and sophisticated continues. social and economic structure, many Koreans seem to be calling on the army to move back-stage and allow a peaceful transtage and allow a peaceful transition of power to a democratically elected civilian ruler. But few are comfident that the organization which has been at the centre of Korean politics for 21 decades is prepared to quickly relinquish its grip.

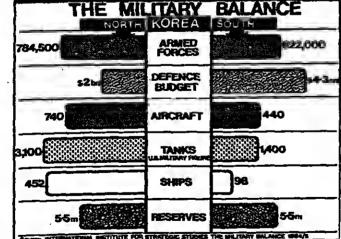
South Korea is not a Latin American style military dicta-

American style military dicta-torship, but ever since 1961 wheo General Park Chun Hee and for the most part elections advisory staff.

have been a foregone conclusion. The only real transfer of power occurred on December 12 against the army chief of staff also, among the upper echelons

President Chun still refies on the 500,000-strong army for his ultimate power base, but be has how set himself the task of breaking the tradition of coup detai by ensuring a peaceful transition of power in 1988. Whether he is interested in paving the way for an army refurn in head of the series at least, to live well.

The army is no longer the great modernising force it was in society and business, but that senior retired officers continue to gain lucrative positions in many medium-sized and large companies.



power in the hands of the elec- "At the Changwon industrial torate, remains to be seen. And complex a few miles southeast whether be can achieve it if of Pusan there are dozens of that is his intention must be new factories. Just about every doubtful.

one is run by a two-ster doubtful.

Under President Chun, the wheo General Park Chun Hee army—or those sympathetic to toppled the civilian government in a military coup, effective tion of key power positions in the Cabinet, the bureaucracy army general—albeit retired, and for the most part albeits.

The armed forces bave also continued to be given a major 1979, six weeks after President share of the nation's resources Park's assassination by his intel-Park's assassination by has intelligence chief, when Gen Chun Doo Hwan staged a coup d'etat also among the upper echelons

professional army officer as a successor to President Chun. Some analysts argue that a number of potentially powerful hardline army officers already feel that President Chun has gone too far in "liberalising" the political climete, raising the electorates' expectations to "un-

realistic and potentially dan-gerous" levels.

"For the moment the army continues to pay lip service to democracy, and I have no doobt that Chun will step down as promised in 1968. But his replacement will be a man of the same background achieved by whatever means. If things get difficult I would not rule out a replay of the 1979 coup," says one senior Western army officer one senior Western army officer in Seoul.

Such views may fail to take full account of powerful external factors, such as U.S. pressure or the need in the run up to the 1988 Olympic Games to present an image of maturity. South Korea boast the world's

They may also underestimate the impact of the dramatic social, economic and intellectual changes that have taken place over the past few years, leading some to argue that many Koreans might no longer miles or so from Seoul.

Given the high stakes—
political, financial and security be prepared to accept undis-guised army intervention. Such changes have not left the army unaffected. A small number of lower-ranking professions! soldiers voted for the opposition in last February's

election. One young army lieutenant says: "The military should confine itself to safeguarding the security of the nation."

Among the small but power

ful group of serving and retired If the parliamentary opposis military officers involved in tion falls apart before 1988 the politics, such views bold little

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# Shock treatment jolts system

### Financial Liberalisation

FOR MOST of the South Korean economy, the past decade has been a race to escape from underdevelopment. In the process, a major sector of the econ-omy-financial services—was left far behind.

The Government had used the commercial banks principally to furnel subsidised finance to targetted sectors of the econo Low interest rates spurred rapid mic growth (and overcap acity in come cases) but bank profits were weak and the deposit base never expanded ade

Under the catchword of "liberalisation," the Government has toyed with the money supply, interest rates and banking rules for five years. Infa-tion came down and the rate of domestic savings has gradually risen, but the banks failed to

Finally, in 1985 the patient may be getting treatment, in the form of sharply higher inter rates, strong enough to send a joit through the system. That is something the foreign banks are happy to see, because stronger domestic banking may give the Government the confidence to give foreign institutions what they want—equal competition in local currency markets.

### Ceiling

The Government began its experiments last year by letting the domestic banks set their own lending rates within a nar-row hand—between 10 and 10.5 per cent in January then be-tween 10 and 11.5 per cent in

The liberalisation had little practical effect, except to raise borrowing rates and help bolster

Banks charged the higher cause the ceiling rate was still far below what the market would bear, while they continued to borrow from the Bank 5 per cent. Although deposit rates also went up, it was not enough to close the gap with short-term finance companies. and the banks' deposit base failed to expand.

This is best illustrated by the ratio of M2 to M3, the narrow steadily from 1.42 in 1980 to 1.90 at the end of March this year indicating that the banks ateadily lost market share to non-bank investment and finance companies that offered higher rates on short-term trans-

The Government had fostered tha short-term financial institutions principally to draw money in from the unofficial kerb market, which in the early 1970s accounted for more than half the volume of domestic loans. Government officials say the kerb market has shrunk dramatically in recent years, particularly after scandals high-lighted the risks of the market. They have now fixed their eyes on bolstering the bank system.

On April 18 the Government again notched up interest rates, for the first time putting them at a level that might be competitive. Long-term lending rates rose to 13.5 per cent and some types of long-term deposit rates rose to 13 ner cent. At the same time the finance minister indicated that the Government expected a rapid growth of M2 for the year, origina getted at 9.5 per cent. r, originally tar-

The statement appeared to herald a more accommodative monetary policy, but the Government's intention is to shift money from the non-bank-ing sector into the banks. The rata rise is just shy of a true market rate, and puts the Government close to ats even-tual goal of allowing rates to

The Federation of Korean Industries, a business interest group, has complained bitterly that the rise in rates will increase interest expenses throughout the economy. throughout the economy. Korean companies have been nurtured on cheap bank financing and are typically highly leveraged. Bankers have expressed confidence, however, that the higher rates will make more long-term money available through the banks, decrease the companies' reliance on short-term lending, and reduce overall borrowing costs. In any case, the interest rate adjustment, if successful, will be just a first step toward put-ting the banks on a sounder footing. The banks have always worked as bureaucratic dispen-sers of money for the Govern-

Nurtured on the high inflationary environment of the 1970s, the banks insisted on colsupply. This rate has risen lateral, usually in real estate, from borrowing from more than

sound credit decisions.

ment and never developed the

technical capability to make

about a company.

over by issuing new loans. Government officials refuse to disclose the amount of non-per-forming assets, but it involved trillions (million million) of

serious and may take 10 to 15 years to work through the system before the banks can accumulate enough profit to write off the loans.

Meanwhile the foreign banks, which are sounder financially and far more sophisticated in operating abilities, are trying to shoulder their way into com-pete with the Koreans on an equal footing. And they are encountering resistance at

### **Profits**

Local newspapers scream about what they call the "wild" or "absurd" profits of the foreign banks. While true in comparison to domestic ones, foreign branch managers must answer to their home offices, which are not always happy with the year-end results.

Foreign bankers also say their profits would be even lower if a proper accounting were made of capital depreciation (due to depreciation of the won) and the high cost of maintaining expatriate staff.

Government officials Some see the foreign banks as a stimulus to improve domestic see the industry; others see them as dangerous competitors who could potentially dominate the domestic market if given free

Foreign banks want greater access to local currency, and earlier this year tha Govern-ment made the first steps to giving it, Foreign banks have been given access to the Bank of Korea's rediscount window for export financing, and they will be allowed to enter the trust business

But the Ministry of Finance seems to be giving with one hand and taking with the other. In spite of technical access to the rediscount window, the banks may not be abla to make significant use of it. And if they do, they will have to cut business elsewhere.

Korean companies are barred from borrowing from more than

for all loans. They never developed the analytic expertise to make loan decisions based only on financial information about a company.

12 banks for export financing.

Most of the large exporters already deal with 12 banks and are unlikely to cease business with a domestic bank to establish The result has been the lish ties with a foreign branch. accumulation of bad debts, which the banks frequently roll from the rediscount window from the rediscount window, the banks face an equivalent reduction on their ceiling for access to won through currencyswap transactions, the largest source of local currency. Access

to the window does not mean greater access to won. Moreover, the new rules reduce the guaranteed margin on currency swaps from 1 per cent to 0.75 per cent. The banks still don't know if they are better off or not.

The opportunity to offer trust

The opportunity to our rust accounts this July has similar pitfalls. To raise funds effectively, banks would have to set up a network of branches to draw in deposits. Although many banks are not interested in this type of expansion, others—like Citibank—would move quickly if given the opportunity. But regulations require foreign banks to capitalise each branch office separately, making it prohibitively costly, and it is not clear that the Government would give approval to new

The new rules for foreign banks require that they lend 25 per cent of new money to small or medium-size industries; domestic banks face a 35 per cent requirement. But that means more paper work, and the foreign banks operate at a disadvantage since they are unable to collateralise loans effectively. The foreign banks lack the networks of local branches that would help identify creditworthy smaller

The experience of the foreign banks adds a new dimension of what liberalisation might mean. Korea's political leaders seem intent on making domestic banks march to the time of genuine competition in financial markets, even if it takes a long

But whether that vision of a

market-driven financial sector will include foreign competi-tion is an open question. There lingers a suspicion that the moves are a cosmetic response to U.S. pressure to open Korea to American service industries. Some foreign bankers are optimistic about the long-term strategic direction of the changes, but others are wondering if they will forever be squeezed out of the local market.



The U.S. and South Korea held two days of talks early this year in Seoul over restrictions on steel exports to North America

### Foreign investment sources

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U.S		666	- 36
Japan		1,065	48 *
Netherlands		115	: 52:
Hong Kong		62	2.1
International			
Finance Co-	qc	50	2.2
Switzerland		. 44	2.0
W. Germany		37	. L7
UK	•	27	1.6
-			1.2

### Foreign investment application

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# Outsiders face bias over profits

### Foreign Investment

KOREANS have a do-it-yourself spirit. With the economy perk-ing along at a high rate of growth, they bave managed to do well by themselves—borrowing from abroad, buying technology, building and managing

their factories.

It has been costly. South
Korea's foreign debt was
\$43.1bn last year, and in spite of the country's excellent inter-national credit standing, bankers say the country would run into trouble if it tried to borrow much more. After the experience with Japan, many foreign companies are also more reluctant to sell their technology to Korea.

Korea's economic policymakers have faced up to the problem and launched a concerted effort to encourage foreign investment through joint and wholly-owned ventures.

The results have not been entirely satisfactory. Direct investment at the end of March

stood at \$1.63bm Last year was something of a banner for foreign investment approvals. They increased by 56 per cent to reach \$419m. This year the Ministry of Finance hopes to attract \$450m of new investment, but there are doubts whether the target

Two investors last year ac-counted for nearly half the total: General Motors, with approval for \$100m investment in antomobile and parts manufacturing, and Lotte of Japan, with a \$92.5m hotel scheme in

In 1984 too, the Government issued new rules for foreign investors specifying a new automatic approval system. But as even ministry of finance officials admit, the system will not apply to many investments. It covers a broad range of categories, but the foreign investment ratio must be under 50 per cent, foreign participation must be undar \$1m, and there must be no application for a tax holi-

In any case, according to one foreign businessman: "The problem was never with the investment law, but the way it was implemented."

Korea's policymakers are intent on welcoming foreign investors and making it worthwhile for them to stay, but foreign businessmen in Seoul express doubts that the rest of the Government or the society at large wants to go along.
"There is a powerful bias

against foreigners," one says. vasive role of the Government.

He described a seminar last extremely onerous. It is present.

year of foreign and Korean businessmen and Government officials which produced a unanimous response from foreigners that profit was the purpose of joint ventures. The Koreans had a very different idea. They looked for increased market share, acquisition of technology, more employment, and greater exports.

when one foreign participant suggested that his company wanted at least a 15 per cent profit, the Koreans loudly

The attitude runs deep. Somecompanies have months of struggle to repatriate dividends says should be automatic. The first hurdle is with the joint venture partner, who probably wants to reinvest profits. Several joint ventures have split over this kind of quarrel. The next hurdle can be the Korean banks, who may refuse to release money because it exceeds unpublished guidelines for dividend distributions. Although companies eventually

get their money, it may require get their money, it may require arount — prontholity. Thus the many trips to government preference for foreign debt ministries to receive authorise capital rather than equity.

finally to dissolution. "Investors who come in are totally unprepared for it." a

businessman says.
Foreign investors have also become wary of the weak pro-tection that Korean law gives to foreign intellectual property. Many say Korea is getting second-rate technology because

It can be puzzling to listen to the earping of the foreign community about business con-ditions in Korea. Tha country's highly productive workforces and low wages—but a revamped system of rules for system of rules for attracting investment and sincerity on the part of government leaders has not convinced the foreigners

already there. "Is a larger economic pre-sence palatable to Korea?" asks one businessman. "The Korean people are not enamoured of such foreign activity. The Government cannot integrate such foreign companies on its mandated terms and the foreigners march to a different drunt - profitability. Thus the

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"Nothing is automatic," an also preferably done without executive says. "entangling an awkward foreign Many foreigners find the per-presence." "Acquisition of technology is SB

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# Suspicion about international demands

### Stock Market

THE SOUTH KOREA economy is expanding fast-7.6 per cent last year with projections of almost ? per cent this year. Yet stock prices are low, with average price-earnings ratios

close to five.

The past year bas seen a torrent of investment managers in Seoul from around the world to take a look at the market. Many believe the market is poised to take off, much as Japan did 20 years ago, and they want to be in at the

Most have gone away disppointed, however-not in the arket, but in the Korean Govarnment. The authorities, even with the authorisation of three investment trusts this year for a total of \$90m, are moving at a snail'a pace to quanch the international thirst for Korean

resident foreigners are not allowed to own Korean

securities directly. The only way to buy in is through one of the six international investment trusts. But even that may not be so easy. Five of the trusts are open-ended in prin-

trusts are open-ended in principle, with prices quoted at net
asset values, but the government bas sharply limited the
issue of new shares.
Only one, the Korea Fund,
is a closed-end trust. It began
trading with an original subscription value of \$60m on the
New York Exchange last
autumn. Investors bid up the
price \$12 to \$16 soon after its
listing, but now the price has I
settled to just over \$13.
The intarnational enthuslasm

The international enthusiasm for Korean stocks seems to have caught the Koreans by surprise. They are slowly digesting what it might mean, and there is a good deal of sus-

"We can't let foreigners get all the benefits," one Ministry of Finance official says. "It has to be good for Koreans too." Foreigners held just over 2 per cent of the market at the and of last year.

The Government has tried for years to foster the stock market, partly to reduce the high corporate debt. Many companies are forced to list publicly, often fishing to keep their We can't let foreigners get

often fighting to keep their companies in family hands. Capital gains are tax exempt, and the Government has interand the Government has inter-vened repeatedly to cushion the market from external shocks and to chop the highs and lows off swings in the mar-ket by lending money to the securities houses or fiddling

with margin requirements. The Koreans do not seem to be convinced. "I don't find the enthusiasm among the Koreana that we find among the for-eigners," says Mr Ferris Miller, a naturalised Korean citizen who has played the market for more than 20 years. Mr Miller retired from the

Bank of Korea a few years ago and is now a consultant at Hanyang Securitias, a local brokerage. He is generally bullish on the market, but isn't convinced it will take off as quickly as many foreign investors think.

The market has a short his posits between 10 to 12 per tory of just 29 years and is cent last year, still thinly capitalised at about As a weighted averaga of \$6,20m. Mr Miller asys the market value, however, the kat has matured a great deal dividand payout is 5.6 per cent.

### International Trusts in Seoul Stock Market

rea International	Value \$15m	(Expansion 1981	) Closed End Open
nderwriters led by Credit Suisse First Boston,			
ickers Da Costa	\$25m	(1983)	
ea Trust Ianaged: Daehan Investment Trust. Lead overseas	\$15m	-1981	Open
nderwriters: Merrill Lynch International	\$25m	(1983)	
ea Fund ponsored: Daewoo Securities Managed: Scudder,	\$60m	1984	Closed
tevens and Clark (U.S.). Underwriting syndicate reladed First Boston Shearson/Amex, International inance			
ea Growth	\$30m	1985	Open (initial 30% minimum in bonds
ul International orea Investment Trust. Lead managed: Baring ros, Vickers Da Costa	\$30m	1985	Open (initial 20% minimum in bonds
il Trust	\$30m	1985	Open (initial 30%

pulated by a few big players and there were a number of well-publicised suicides of investors who lost their fortune Even as late as 1981 there wer cases of cash-laden "big bands" making millions by manipulat-ing the prices of single issues. Recently the Government has made an effort to crack down. Mr Miller says the market is now far more reserved, and that price movements, while fully predictable, no longer fluctuate which without apparent reason.

Prudential-Bache Securities

### Dividends Information about companies

Information about companies
—many people simply discount
financial disclosure statements
—is not as bad as it is often
made out to be. "It is not unreliable to the point that it has
harmed me in making investment decisions," he says.

But the image of the market
in the public aye as a highrisk gambling den has yet to
be shaken.

be shaken. One merchant banker says he doubts that the concept of a capital market is well understood. "Koreans see the dividend as equivalent to an interest payment," he says.

As Government policy prescribes, and sometimes regardless of a company's health, the

"It is very fashionaoue to look to developing countries, less of a company's health, the hoping they will imitate dividends, as a percentaga of Japan," he says. "But until we par value, have tended to be can turn the Koreans around, more or less equivalent to the interest rates on bank tima delated to the interest rates of a company's health, the

in those years, though.

"In the 1960s you might as well have gona to the casino and gambled," he says.

The market was highly manl-

high-interest kerb market or in- days after flotation. appreciating real estate.

The Government has made a The Government has made a strennous effort to clamp down on real estate speculation—a trend fuelled by the inflation of the 1970s and by rapid urbanisation. It has been fairly successful, but with long-term bank daposit rates recently raised to 13 per cent and inflation at just over 2 per cent, it takes a smart trader to beat a guaranteed interest return.

it takes a smart trader to beat a guaranteed interest return. Many Koreans prefer safety.

Tha Government would like more companies to list on the market but some rules still discourage them. Most companies must offer their shares at parfor a new flotation, and that can mean giving tha company away. In late April Samil Pharmaceutical Company was oversubscribed by 40 times, even with a 50 per cent premium on the shares.

The Government recently re-

The Government recently re-Underwriting, however, can be be more heavily capitalised. risky, since underwriters must guarantee a share price for 30

The market's composite index has been a lackinstre performer. Pegged at 100 at the stant of 1980, it peaked at 145.5 on January 7 this year and has since been drifting between 132 and 134 because of sluggishness in the economy.

in the economy.

But the long-term performance of certain industries has been excellent. Topping the list are pharmaceusicals (with an index of 305 on April 29), fabricated metals (288), machinery (223), electronics (208) and food and beverages (202).

Koreans have a clear parference for small, growth companies. The index of 163 companies capitalised at less than
5m won stood at 229 on April
29. By contrast, the 82 large
companies capitalised at more
than 15m won have done
poorly, with the index at 95.

The market composite index laxed rules for rights issues at market value, and that should encourage more companies to raise capital in the market. The market composite index has been pulled down by the procurage more companies to raise capital in the market. where the companies tend to

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Business Centr

convinced the far roldy there. is 2 larger economic

plication

THE COLLAPSE of the Kukje Group, one of Korea's top 10 business conglomerates, brought into question again the future of the cheebol, companies practically synonymous with Korea's rapid development.

Kukie's financial difficulties won corporate headquarters, were more severe, but not financed largely in the high-fundamentally different from cost short-term money market. other major conglomerates.

The chaebol comprise Korea's

most famous companies Hyundai, Daewoo, Samsung and Lucky-Goldster. They were the darlings of the Korean Government in the 1970s, when they were fed by cheap loans aimed at encouraging growth in selected areas. But the Government's attituda

has changed drastically. It now says the chaebol foster inefficiency, that they are exces-sively diversified, they inhibit competition, and are a drain on the financial resources of the

subject them to the rigours of Bankers, government officials "The conglomerates should the marketplace, and many and businessmen agree that the observers interpreted the root of Kukja's problems was decision to break up Kukje as a terrible management. The dent of the Kores Development tough first step to make the

flagship company of the group, Rukje-ICC, had suffered heavily from the sharp down-turn in construction business from the Middle East, while it borrowed to make up for delayed payments from over-seas. Its main line of footwear business also faltered and failed to keep its market share. The final straw was a new 80bn

Speculation

The group's decline was speeded in November when the Government banned "wanmaa" repurchase agreement on which the company relied heavily. More than \$100m of emergency funds were provided in Decem-ber, but in Fabruary the banks lowered the boom.

ferred management to smaller, healthier companies, promising to honour the company's obligations and issuing loan guaran-tees to foreign banks.

group never made the transition

other groups fall into line. from the high-inflation of the names getting bigger, I would logy, and too much specialisa-Kukie's demise was a classic 1970s, when real estate specu-like to see smaller ones get tion carries too much risk. We case of over-extension. The lation and bigh-volume borrow-bigger."

Economists say the groups, in their pursuit of bigness, have squandered managerial ing (at negative real interest rates) were the key to survival. Mr Yang Cheng-Mo, Kukje chairman, placed his sons-in-law into key management positions and business leaders say they talents, streched their financial resources and concentrated on big-ticket Items-such as ships, were not in tune with the steel, or construction that are especially vuinerable to swings in economic cycles. The Govern-"They continued to manufacment would like to foster small fields, Mr Kim says, and medium-size industries, like As to government ture canvas shoes long after the market changed and we switched to leather," a competitor says. "They had no management skills." in Taiwan, that can respond more rapidly to changes in international demand and pro-

vide greater export stability. Although the decision to dis-Some business executives disagree with the government's mantle the group sppeared sudden, one senior government economist said the Government more aggressive attitude toward the big groups. "We are not big enough for international competition" says Mr Kim Woo Choons, chairman of Daewoo. This group in 1984 had a consolidated turnover of \$4.24bn and interests in automobiles, had studied the costs of other alternatives—such as forcing Kukje to sell real estate holding and to spin of some of the group's subsidiaries to raise cash, or to force the group late banks and the second sell real second sell real sell

bankruptey. electronics, construction, hotels, securities, textiles, beavy machinery, and chemicals. But Mr Kim says that Dsewoo's In the aftermath of Kukje's They took the company away failure the Government is con-from the chairman and trans- sidering further measures to improve the chaebols' financial structure, force them to shed superfluous subsidiaries and specialise in key manufacturlarge international competitors have sales 10 to 20 times greater. ing areas.

He also disputes that the The conglomerates should groups are too diversified. "If we had our own techno-logy it would be better to be apecialised," he says. "But we do not have our own techno-"Instead of hig

**ELECTRONICS** 

Shedding

a low

quality

image

THE Korean electronies in-

dustry passed another banner year in 1984, with production increasing 29 per cent to \$7.2bn, and projected to grow by another 26 per cent in 1985.

The industry has emerged

a one of Korea's most com-petitive, with excellent pros-

that began several years carlier, and the manufacture

cent leap as sophisticated semi-conductor manufactur-

The two largest electronics

producers, Samsung and Goldstar, are targeting 1985 as the year to shed their image as low-quality, budget producers, a reputation they

earned with volume exports of coloar television sets.

that prohibited export of

to Japanese brands, and that

ing brand recognition, but say

Computer terminals more than doubled to 2.13m, worth \$250m. Experts provided for much of the volume, while domestic sales earned cash

The manufacture of integrated circuits became a \$1bm

RAM chips started in volume.

Other potential entrants Daewoo Telecom and Hyundai

Industry analysis are worried at the rapid expan-

sion of Korea's semiconductor

ing came on stream.

Technological

mise risk."

A technological trailblazer

Domination

At heart, the Government of jects to the conglomerates weak financial structure and consequent domination of bank lending, which is below mar ket interest rates and rationed According to testimony at the National Assembly last

autumn, the top 30 groups in 1983 accounted for 16 per cent of the nation's GNP, but managed to swallow 48 per cent of hank lending.

That domination has crowded

big groups on cheap loans is also one of the greatest obstacles to financial liberali-

be says the company can handle it. He also accepts criticism that the chacbol should improve capitalisation, and even that corporate owner-ship should be less concentrated (although not all of Korea's corporate chairmen would be so generous). But Mr Kim blames the weak

"Korea depended on the big companies for rapid growth and is now paying the price for it,"

for Korea. But now they have to move carefully to liberalise domestic markets, and it will take time."

like IBM can afford to concen trate on a more parrow field, but Korea, as the manufactur ing base for markets that it does not create, is more likely to be hurt by changing demand and technology in individual

As to government charges that the conglomerates stronger companies are sheltering weaker subsidiaries, be shrugs bis shoulders and asks: "What can

"Some of the current trouble areas in the big companiestion, heavy machinery—were initially built with govern ment support. They are subfering in part because of external market downturns, and the diversity and strength of the cooglomerates in what is keeping those companies alive today to wait for the upturn."

small and medium-sized com-panies out of the bank-lending market. The dependence of the

sation.

Mr Kim admits his company's debt ratio is too high, although

financial atructure of Korean companies principally on the banking system and on poorly developed markets for capital
-factors beyond any single company's control.
One foreign banker agrees

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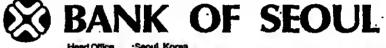
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**AUTOMOBILES** 

### On the road to export markets

'A YEAR AGO Korea's automobile industry had a potential, dimly seen and much specu-lated about. Now that potential is moving into focus with startl-

Within a few years, unless plans go very far off track, Korea will be a major producer and exporter of automobiles parts, and components helped by all three main U.S. manu-

ntengting an awkerings Hyundst made a modest plunge into the Canadian market last year, hoping to sell 6,000 of its low-priced old-fashloned Pony — a small, rear-wheel-drive car. Mitsubishi of Japan owns a 10 per cent stake in Hyundai and has supplied much of the technology.

gobbled up 25,000 of the cars, and Hyundai cleaned up the

bottom of the market. This year it started a 300,000 vehicle-per-year plant and soon will begin export to the U.S. of its front-wheel-drive Pony Excel.

its front-wheel-drive Pony Excel.

This will again be at the bottom of the market, with prices between \$5,000 and \$6,000 for a basic model. Hyundai hopes to sell 100,000 in the first year.

The company is taking the risky, but potentially very profitable, route of marketing the cars in the U.S. under its company and network of chrysler's North American suppower name and network of pliers and small and mediumown nama and network of

U.S. manufacturer to set up Korea. GM's joint venture





Hyundai is set to become a major force in the world car market, after finding its feet with models like the Stellar (top) and the Pony

bargain-hunters front-wheel-driva cars a year in 1987, up to half for export. The car will be sold in Korea under market.

Daewoo's label, but in the U.S.

as a Pontiac.
The two companies are also putting \$60m into manufactur-ing starter motors, alternators,

pliers and small and mediumsized Korean companies, and perhaps the eventual manufac-ture of cars in Korea.

More international links are

with Daewoo has for years sup- on the way. In January the plied Korea's domestic market Korean Government authorised but last year GM agreed to put Kia to begin producing passen-\$100m into new Korean ven- ger cars again in 1987, following One is to build a plant that trial restructuring, when it won

Peugeot and Fiat

and factories, but the birth of an entira world-class industry

than 10 years for Kores to be-come a formidable competitor."

# pects for long-term growth. Electronics exports, which grew 38 per cent to reach \$4.2m, are expected to un-seat textiles as the nation's Although growth was across the board, the more rapid expansion of industrial electronics continued a trend

small vans. Now Kia has received an offer from Ford for the export of mini-cars to the and is studying other potential agreements

Finally, TRW, a big U.S. parts manufacturer, is planning to set All these agreements will not just mean a few assembly plants

within a few years.

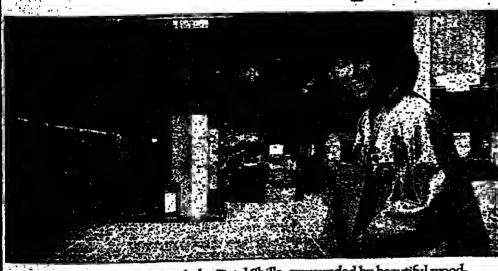
Mr Iacocca says: "We would not be here if we didn't think that it had a great potential. I do not think it should take more

Steven Butler

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anufacturing capacity. "If all of them are doing the same thing, it makes no sense," a banker says. The millions of dollars in semiconductor investments

alse makes bankers nervous. But all agree that Korea has little choice if it wants to

Steven Butler

# High stakes in Olympic setting

SOUTH KOREANS are often prepared to take big risks pro-vided the stakes are high enough. So it is with the 1988 Seoul Olympic Games.

The Government hopes the

games will be a watershed in the country's troubled post-war history — a symbol of national pride, achievement and legiti-macy acknowledged for the first time by the rest of the world. The Government views the games as achieving four key

 National legitimacy and security. Attendance by the communist world, which after 37 years still does not officially recognise the republic, is seen as the stamp of international legitimacy. It is hoped this will lead to better relations with Moscow and Peking, who may be able to restrain North Korea

against the South. Economic achievement and respectability. The games will present South Korea to the orld as a mature and successful middle-ranking industria-lised power, which offers a model to the developing world and would soon like to become a member of the OECD.

 Direct and indirect economic spin-offs. By exposing Korea to more than 300,000 Olympic visitors and millions of TV viewers, it is hoped that the games will provide a major filip to the tourist industry and introduce the world to a range of Korean products.

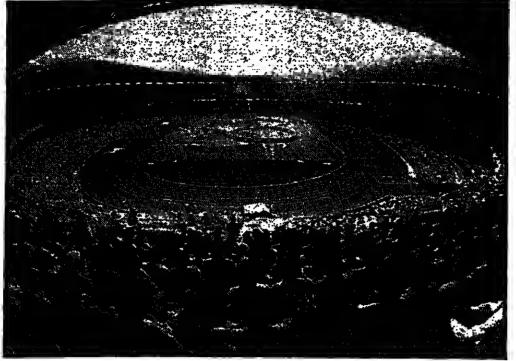


its North Korean neighbour.

All this may seem a far cry from the original aims of amateur athletics, but as ona Seoul diplomat put it: "The Olympics might now be fairly described as nationalism without machine guns."

If the stakes are high, so too are the risks. The major con-cern is security. Officials fear that North Korea may be tempted to do everything short of an invasion to disrupt the games or prevent them from

Less than 18 months ago North Korean rangers killed 17 South Korean Government officials in Rangoon in an A slap in the face for attempted assassination of Presi-Pyongyang. Though no one says it openly, Seoul sees the games as a psychological victory for the south in its struggle against korea has redeployed troops



The symbol of the 1988 Seoul Olympics (left) and the main stadium, holding 100,000 people, when it was opened last year

closer to the de-militarised zone. No one is suggesting this is preparation for an attack, but security threat to the games

is real.
"The Olympic Games is an enormous psychological challenga to the North. There is a fear that Kim II Sung will try to disrupt them," says one army officer.

There are also lingering doubts as to whether the com-munist world will turn up. North Korea has campaigned to persuada China, the Soviet Union and its allies to stay away. However, it is a battle that Pyongyang looks increas-ingly likely to lose, East Germany has stated its

intention to attend and there have been a growing number of sports exchanges between Seoul and Peking over the past year. Moscow seems to have given up its campaign to change the venue and in March sent 12 skating champions to Seoul—the first visit by its

sport figures What is not in doubt is South Korea's ability to plan, build and organise an event on such **Exercise** in a grand scale. Work on the country's biggest project is, as good taste expected for a country that has taken the construction world

by storm, running ahead of schedule.

The public and private sector are pouring \$3bn into facilities which will provide 32 sports venues, double the size of the underground railway system, quadruple the country's tele-communications facilities and triple Seoul's supply of hotel

The centrepiece of the games, the 100,000-soat main stadium, was opened last year. Coca-Cola is understood to have agreed to pay \$15m-\$20m and Eastman Kodak \$10m-\$15m to be official sponsors of the Olympics and the 1986 Asian Games, also due to be held in Seoul.

MANY OF the inhabitants of Seoul have not been amused by some of the more outlandish zealotry inspired by Korea's Olympic spirit. Civil servants are now supposed to do daily exercises to improve their health—in the Government's words to "create an atheltic climate" in time for the games.

Fearful of foreign sensitivities, the Government has also introduced a ban on the sale of traditional Korean dishes con-taining dog, snako or earth-worm, in spite of their revered stamina-creating properties,

What is needed, say officials, the development of "new Richard Cowper traditional "Korean dishes mora acceptable to the Western palate.

# Liberated grannies and honeymoon heaven

A FEW years ago, Newsweek magazine listed Cheju Island, 60 miles off Korea's southern coast, as one of the great un-discovered tourist destinations. No hotels and busloads of tourists spoilt the natural beauty of this island, whose volcanie peak rises some 6,400 feet up a gentle slope from

Most of the island's 704 sq miles are covered by pasture and forest, with farms sectioned by next stone fences of porous black basalt. The slopes lead to dramatic cliffs and waterfalls, to sand beaches or to clear bluc

in 1985, much to the con-sternation of local tourism officials, Cheju is still largely undiscovered by most of the world. The Government, not one to take these things lying down, is going to do some-thing to mudge the world along in February it adopted a master plan calling for 1.3 trillion won (\$1.5bn) of in-vestment in the island over the next five years, with 897hs won of that earmarked for tourist facilities.

The plan is suitably grand for Korea, though even this is a retreat from earlier notions of turning the island into the Hong Kong of north-east Asia, with a duty-free port, hightech electronics assembly and off-shore banking. The Government went so far as to commission Bechtel to conduct a feasibility study.

Commonsense finally showed that the island's remoteness and lack of development might not give it the best prerequisites to become an international trade centre. Some powerment efficiely Some government officials were quietly pushing to scrap any development plans, and it is hard to blame them. Development would mean people, pollution and clutter — tha

lack of which are the attrac-tions of Cheju.

The island is not com-pletely undiscovered. It is neymoon heaven in Kores, the destination of 70 to 80 per cent of newlyweds, according to one local official's estimate. About 1.54m Korean tourists visited the island last year. Aside from starry-eyed couples wandering up remote

mountain trails, it is a popular destination for large tour groups of halmoni — grand-mothers in Korean.

Old age for Korean women produces a liberation strictly denied them in younger years, and conomic development has given them the means to travel. They take the ferries from Pusan or Mokpo and turn their excursions into an early of striking. sions into an orgy of drinking, singing, and dancing that can be a shock if your image of Korean women has been formed by the deferential and dainty hotel staff that most

Tourism: Cheju STEVEN BUTLER

Even some Koreans are shocked by the old women, who have recently been criticised in the press for

st Korean work habits are hard on the economics of tourism. Koreans work six tourism. Koreans work six days a week for most of the year and take short vacations from mid-Jaly to mid-August only, when all the popular vacation spots are filled past capacity.

For the rest of the year, hotel occupancy in places like Cheju hovers around 20 to 30 per cent. The Cheju Grand Hotel, one of the island's first-class establishments, was re-

cently sold after accumulating large losses.
The island's authorities are

also angling after the inter-national tourist. We want national tours. we want dollars, one official says.
This year the Government expects about 60,000 foreign arrivals, and it hopes to double that by 1991. Mor are Japanese who come to the island for hunting pheasant in the winter mid

for young Korean girls all year. It is a stopover for the famous Japanese sex tours! As part of the plan to lare foreigners. Hyatt hetel opened recently in a resort on the southern part of the island. The hotel, which looks like a scooped out pine apple with windows, is up to international luxury resert standards. Officials hope that Hyatt's international reputation and booking facilities will help make the island a four-season resort.

The hotel is staffed with what appear to be recent graduates of hotel scho they have applied typical Korean diligence to their Korean diligence to their duties. You can hardly turn around in the hotel without hearing a cheerful: "Have a nice day!" After each bowl of soup, each croissant, each cup of coffee or roll, the restaurant staff will smile and say with quiet assurance: "Enjay!"

There are still some prob-lems to be worked out—like finding sensible explanations why cab drivers insist on being paid at least double what their meter reads, or not using the meter at all.... In late April the hotel was fairly sparsely populated, partly with a group of bored

One said: "There isn't a let

Hen Zeziani

View service

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### Prodigy on brink of adulthood

CONTINUED FROM PAGE 1 .

maturity. As the infant wonder grows up, its economic talents are starting to provoke jealous hostility from other nations. Its productivity is becoming a threat to inefficient industries in the U.S., Europe and Japan, as well as a source of envy for other developing countries.

The spectacular growth of exports, which has averaged 18 since 1970 and shows few signs of flagging, is breeding resent-Barriers against exports of steel, electronics and machinery are rising alongside the familiar restraints on textiles, clothing and footwear. Even where there are no barriers, industrialised nations are asking themselves whether Korea needs or deserves the special privileges which are accorded to weaker developing countries, under the Geoeralised System of Preforences, for example.

As these external threats build up against Korea's formula of export-led growth its mathods of internal economic management are also being called into question. Outsiders, particularly U.S. officials, whose predecessors might have mar-velled at the triumphs of "the Korean model," are now decrying the concentration of industrial structure, rigid regulation of financial markets, widespresd protectionism, detailed central planning and pervasive govern-

ment intervention.

It is partly in response that the banks have been privatised and the financial markets are

but now it is a power to be . The new freer-market philo-exercised coyly—to cope with sophy came into prominence

industry years, or even decades, Similarly, the great conglom-erate trading houses, or chae-bol, which have bear trading

mined to cut the chaebol down

economic activities in the hands of smaller companies.

The collapse of Kukje and the growth of worldwide protectionism have intensified the Government's conviction that the Korean economy needs to become more flexible and less focused on the sort of heavy industrial products in which the chaebel enjoy a natural advantage.

Government's duty to chart the strategic course for Korean

responsible for Korea's indus-trialisation, are becoming un-popular. Nine of them, led by Hyundai, Daewoo, Samsung and Lucky-Goldstar, accounted for 513 per cent of the country's exports in 1983. The Government is deter-

what officials call the "octopua legs" of their diverse activi-ties—which often stretch from shipbullding to pharmaceuticals and food retailing — forcing each group to concentrate on each group to concentrate on a smaller range of industries and leave a greater share of economic activities in the hands

kind seen in the early 1980s, as

advantage.
External and theoretical pressures have not been that motivations for the

only motivations for the Government's liberalisation and deceotralisation. The growing complexity and maturity of tha domestic economy has been the

exercised coyly—to cope with supul disasters, like last year's colfrom 1981 after the province lasse of the nation's sixtic year's debacle when GNP largest company, the Kukle declined for the first time in the post 1962 "miracle? period The shift took place with few personnel changes and with personnel changes and with little ideological ferment of the

other nations wholeheartedly embraced "market forces," bol, which have been largely sophy appears to be philonot of ideology or theory but of what the Americans call "can-do" pragmatism. The "can-do" pragmatism. The planners recognise only two goals. "To make sure the economy grows at its full long. term potential and to create an

adequate distribution of wel-fare," as one planner puts it According to the semi-official Korean Development Institute, this potential growth rate is currently 7.5 per cent and will stay between 7 and 8 per cent until the year 2000.

In spita of protectionism, maturing industries and com-petition from lower-cost producera like China and India, these growth rates can and will be achieved, Korean planners confidently assert.

"If our present approach fails, we will try other methods," says one senior official, who has been in the forefront of the current moves towards economic liberalisation. Perhaps Korean politicians, as well as economists, can show that sort of foreign to the current moves.

that sort of flexibility. If they, do, Korea's first 20 years as an advanced industrial country may be as successful as its last 20 years of membership in the Third World.

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